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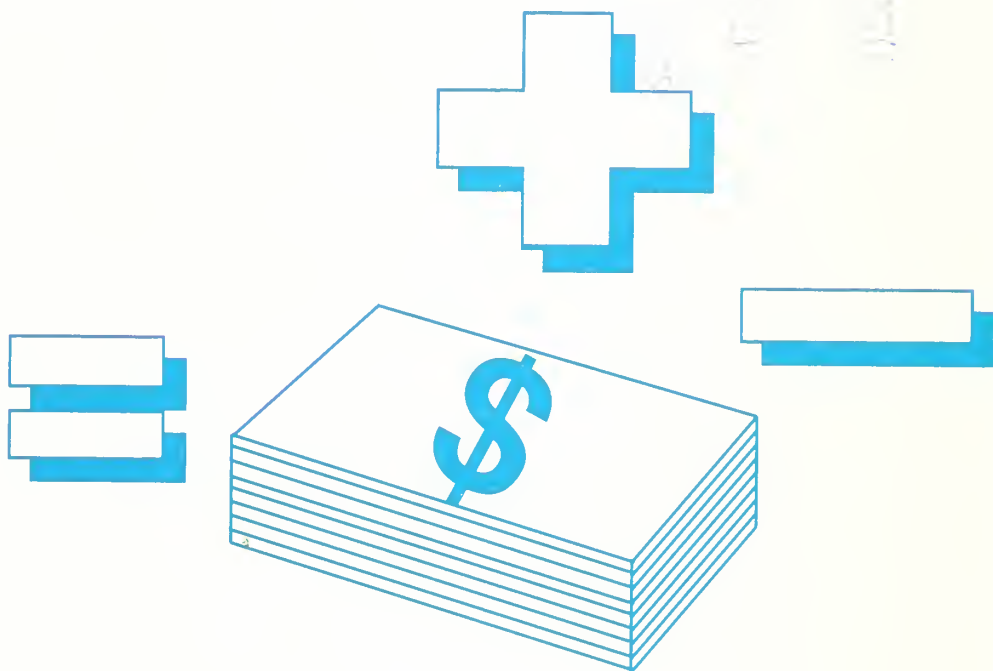
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Office of
Finance and
Management

Secretary's Management Report

April 1, 1990-September 30, 1990



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Abbreviations

ADM	Administration
AMS	Agricultural Marketing Service
APHIS	Animal and Plant Health Inspection Service
ARS	Agricultural Research Service
ASCS	Agricultural Stabilization and Conservation Service
CSRS	Cooperative State Research Service
ERS	Economic Research Service
ES	Extension Service
FAS	Foreign Agricultural Service
FmHA	Farmers Home Administration
FCIC	Federal Crop Insurance Corporation
FGIS	Federal Grain Inspection Service
F&CS	Food and Consumer Services
FNS	Food and Nutrition Service
FS	Forest Service
FSIS	Food Safety and Inspection Service
IA&CP	International Affairs and Commodity Programs
M&IS	Marketing and Inspection Services
NASS	National Agricultural Statistics Service
NR&E	Natural Resources and Environment
OFM	Office of Finance and Management
OGC	Office of the General Counsel
OICD	Office of International Cooperation and Development
OIG	Office of Inspector General
OIRM	Office of Information Resources Management
OO	Office of Operations
OP	Office of Personnel
REA	Rural Electrification Administration
SC&RD	Small Community and Rural Development
SCS	Soil Conservation Service
S&E	Science and Education
WAOB	World Agricultural Outlook Board
WRA	USDA Welfare and Recreation Association



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250


MESSAGE FROM THE SECRETARY

Formidable challenges exist for resolving issues of world agricultural trade and marketing, research, rural development, and nutrition. Although faced with budget constraints, these challenges must be met. Audits of the Department's programs and internal processes are an integral part of ensuring that goals and responsibilities are met. Vigorous efforts to strengthen oversight of processes for timely resolution and completion of corrective actions on audits continue to be a priority and contribute greatly to better management of the Department's far-reaching programs.

Management's prompt implementation of decisions on audit recommendations results in effective corrective action either to remedy or prevent fraud, waste, and abuse in USDA-delivered programs. This contributes to the recovery of misspent funds and results in better utilization and management of program resources.

All managers of the Department are aware of the need to use the audit process to monitor programs effectively. I believe this report shows the results of their efforts.

Sincerely,



Clayton Yeutter
Secretary

INTRODUCTION

This is the Secretary's Management Report to the Congress required by the Inspector General Act Amendments of 1988 for the period April 1 through September 30, 1990. The Act requires that the Secretary report directly to the Congress on management decisions and final actions taken on audit recommendations. The report must explain why action on any audit recommendation is incomplete 1 year from the date of the management decision. This report reflects management's implementation of recommendations contained in audit reports issued by the U.S. Department of Agriculture's (USDA) Office of Inspector General (OIG). In addition, the report includes significant accomplishments. The Act requires that OIG's Semiannual Report include data on audits without management decisions, audits issued, and audits with management decisions for the same 6-month period. The OIG report explains why there is no management decision on an audit and the reasons for any significant revised decisions for the reporting period.

For this reporting period, the Office of Finance and Management (OFM) monitored 611 audit reports containing 3,604 recommendations. This compares to 471 audits containing 3,264 recommendations for the period October 1, 1989, through March 31, 1990, almost a 30-percent increase. Of the 611 audits, 357 had no final action as of March 31, 1990. Management made decisions on 254 audits during the current period.

Of the 611 audits, 321 have disallowed costs of \$79,377,750 and 87 have \$2,074,243,231 identified by OIG as funds to be put to better use. For this reporting period, management made decisions on 147 audits with \$8,770,088 in disallowed costs and 17 audits with \$74,488,915 in funds to be put to better use.

Final action occurred on 216 audits. Management recovered \$6,091,943 in disallowed costs for 102 audits and implemented \$24,134,582 in funds to be put to better use for 17 audits. As of October 1, 1990, 395 audits need final action, of which 219 have disallowed costs of \$73,237,557 and 70 have \$2,050,108,649 in funds to be put to better use.

This report contains explanations for 82 audits incomplete 1 year from the date of the management decision. Many of these management decisions require implementation over a multiyear period. Corrective actions may involve time-consuming processes such as establishing automated systems or issuing program regulations.

The Department-wide statistical tables summarize the status of audits in USDA. The appendixes show agency statistics for audits either under appeal or requiring a legislative solution and the status of monetary audits.

The report includes a Department-wide table showing the total number of audit recommendations and the average number of audit recommendations contained in OIG audit reports. The table provides an indication of the audit workload assigned to each agency. The table on OIG audits by major subject category depicts the subject area of audits monitored by OFM during this 6-month period.

DEPARTMENT-WIDE STATISTICAL TABLES

CONSOLIDATED OIG AUDIT REPORTS

This table depicts the status of OIG audits for the period ending September 30, 1990.

Agency	Audits With Final Action		Audits Incomplete Within 1 Year		Total Audits		Total Disallowed Costs		Total Funds To Be Put To Better Use	
	Number	Percent	Number	Percent	Number	Percent	Dollars	Percent	Dollars	Percent
<u>Under Secretary for International Affairs and Commodity Programs</u>										
ASCS	22	10.2	9	11.0	75	12.3	23,591,964	30.0	1,008,658,620	49.0
FAS	1	0.5	0	0.0	3	0.5	0	0.0	180,163,142	9.0
OICD	0	0.0	0	0.0	1	0.2	0	0.0	0	0.0
Subtotal	23	10.7	9	11.0	79	13.0	23,591,964	30.0	1,188,821,762	58.0
<u>Under Secretary for Small Community and Rural Development</u>										
FmHA	8	3.7	17	20.7	60	9.8	23,063,380	29.0	629,612,994	30.0
FCIC	23	10.7	6	7.3	110	18.0	7,570,107	10.0	13,855,468	1.0
REA	1	0.5	1	1.2	3	0.5	0	0.0	1,500,000	0.0
Subtotal	32	14.9	24	29.2	173	28.3	30,633,487	39.0	644,968,462	31.0
<u>Assistant Secretary for Food and Consumer Services</u>										
FNS	117	54.4	26	31.7	226	37.0	18,302,394	23.0	215,866,157	10.0
<u>Assistant Secretary for Marketing and Inspection Services</u>										
FGIS	0	0.0	1	1.2	1	0.2	0	0.0	0	0.0
AMS	4	1.9	5	6.1	14	2.3	472,294	1.0	0	0.0
APHIS	3	1.4	3	3.7	16	2.6	497,168	1.0	18,439,372	1.0
FSIS	10	4.2	3	3.7	23	3.6	2,575,868	3.0	0	0.0
Subtotal	17	7.5	12	14.7	54	8.7	3,545,330	5.0	18,439,372	1.0
<u>Assistant Secretary for Administration</u>										
OFM	1	0.5	0	0.0	2	0.3	0	0.0	0	0.0
OO	1	0.5	0	0.0	2	0.3	0	0.0	0	0.0
OIRM	1	0.5	3	3.7	6	1.0	0	0.0	442,572	0.0
Subtotal	3	1.5	3	3.7	10	1.6	0	0.0	442,572	0.0
<u>Assistant Secretary for Natural Resources and Environment</u>										
FS	11	5.1	6	7.3	41	6.7	251,991	0.0	2,964,599	0.0
SCS	5	2.3	1	1.2	14	2.3	1,324,015	2.0	2,639,528	0.0
NR&E	1	0.5	0	0.0	1	0.2	0	0.0	0	0.0
Subtotal	17	7.9	7	8.5	56	9.2	1,576,006	2.0	5,604,127	0.0
<u>Assistant Secretary for Science and Education</u>										
ARS	2	0.9	0	0.0	2	0.3	0	0.0	49,570	0.0
CSRS	0	0.0	1	1.2	4	0.7	1,728,488	2.0	0	0.0
ES	4	1.9	0	0.0	5	0.8	81	0.0	0	0.0
NASS	0	0.0	0	0.0	1	0.2	0	0.0	0	0.0
Subtotal	6	2.8	1	1.2	12	2.0	1,728,569	2.0	49,570	0.0
<u>USDA Welfare and Recreation Association</u>										
WRA	1	0.5	0	0.0	1	0.2	0	0.0	51,209	0.0
TOTAL	216	100.0	82	100.0	611	100.0	79,377,750	100.0	2,074,243,231	100.0

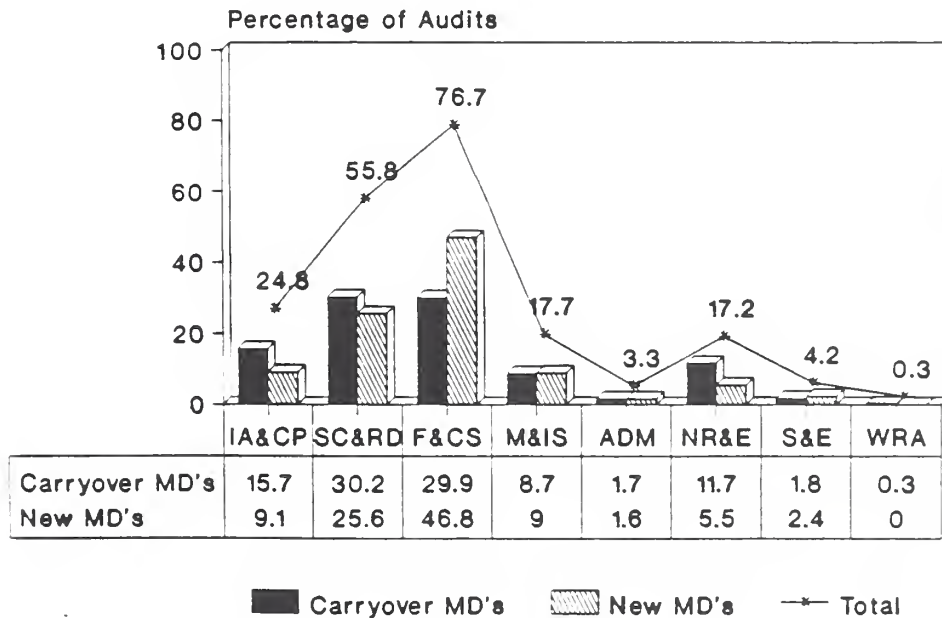
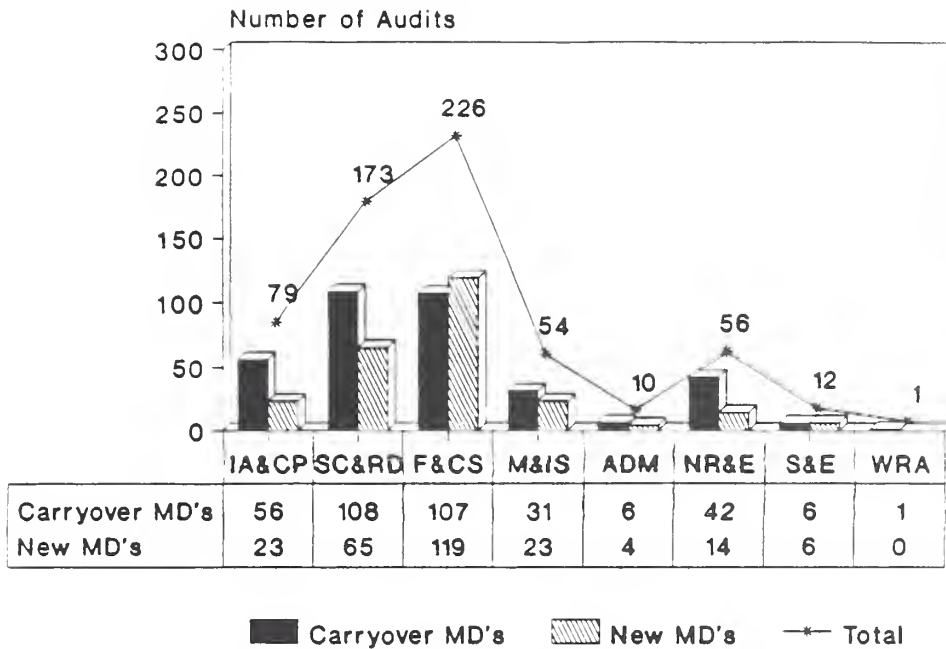
*Percentages rounded.

AGENCY OIG AUDITS FOR THE 6-MONTH PERIOD

Agency	Audits With Management Decisions Carried Over From October 1, 1989- March 31, 1990 Report		Audits With Management Decisions April 1, 1990- September 30, 1990 Report		Total Audits	
	Number	Percent*	Number	Percent*	Number	Percent*
<u>Under Secretary for International Affairs and Commodity Programs</u>						
ASCS	53	14.8	22	8.7	75	12.3
FAS	2	0.6	1	0.4	3	0.5
OICD	<u>1</u>	<u>0.3</u>	<u>0</u>	<u>0.0</u>	<u>1</u>	<u>0.2</u>
Subtotal	56	15.7	23	9.1	79	13.0
<u>Under Secretary for Small Community and Rural Development</u>						
FmHA	46	12.8	14	5.5	60	9.8
FCIC	60	16.8	50	19.7	110	18.0
REA	<u>2</u>	<u>0.6</u>	<u>1</u>	<u>0.4</u>	<u>3</u>	<u>0.5</u>
Subtotal	108	30.2	65	25.6	173	28.3
<u>Assistant Secretary for Food and Consumer Services</u>						
FNS	107	29.9	119	46.8	226	37.0
<u>Assistant Secretary for Marketing and Inspection Services</u>						
FGIS	1	0.3	0	0.0	1	0.2
AMS	11	3.1	3	1.2	14	2.3
APHIS	8	2.2	8	3.1	16	2.6
FSIS	<u>11</u>	<u>3.1</u>	<u>12</u>	<u>4.7</u>	<u>23</u>	<u>3.6</u>
Subtotal	31	8.7	23	9.0	54	8.7
<u>Assistant Secretary for Administration</u>						
OFM	1	0.3	1	0.4	2	0.3
OO	2	0.6	0	0.0	2	0.3
OIRM	<u>3</u>	<u>0.8</u>	<u>3</u>	<u>1.2</u>	<u>6</u>	<u>1.0</u>
Subtotal	6	1.7	4	1.6	10	1.6
<u>Assistant Secretary for Natural Resources and Environment</u>						
FS	32	8.9	9	3.5	41	6.7
SCS	9	2.5	5	2.0	14	2.3
NR&E	<u>1</u>	<u>0.3</u>	<u>0</u>	<u>0.0</u>	<u>1</u>	<u>0.2</u>
Subtotal	42	11.7	14	5.5	56	9.2
<u>Assistant Secretary for Science and Education</u>						
ARS	2	0.6	0	0.0	2	0.3
CSRS	2	0.6	2	0.8	4	0.7
ES	1	0.3	4	1.6	5	0.8
NASS	<u>1</u>	<u>0.3</u>	<u>0</u>	<u>0.0</u>	<u>1</u>	<u>0.2</u>
Subtotal	6	1.8	6	2.4	12	2.0
<u>USDA Welfare and Recreation Association</u>						
WRA	1	0.3	0	0.0	1	0.2
TOTAL	<u>357</u>	<u>100.0</u>	<u>254</u>	<u>100.0</u>	<u>611</u>	<u>100.0</u>

*Percentages rounded.

AGENCY OIG AUDIT REPORTS



MD's = Management Decisions

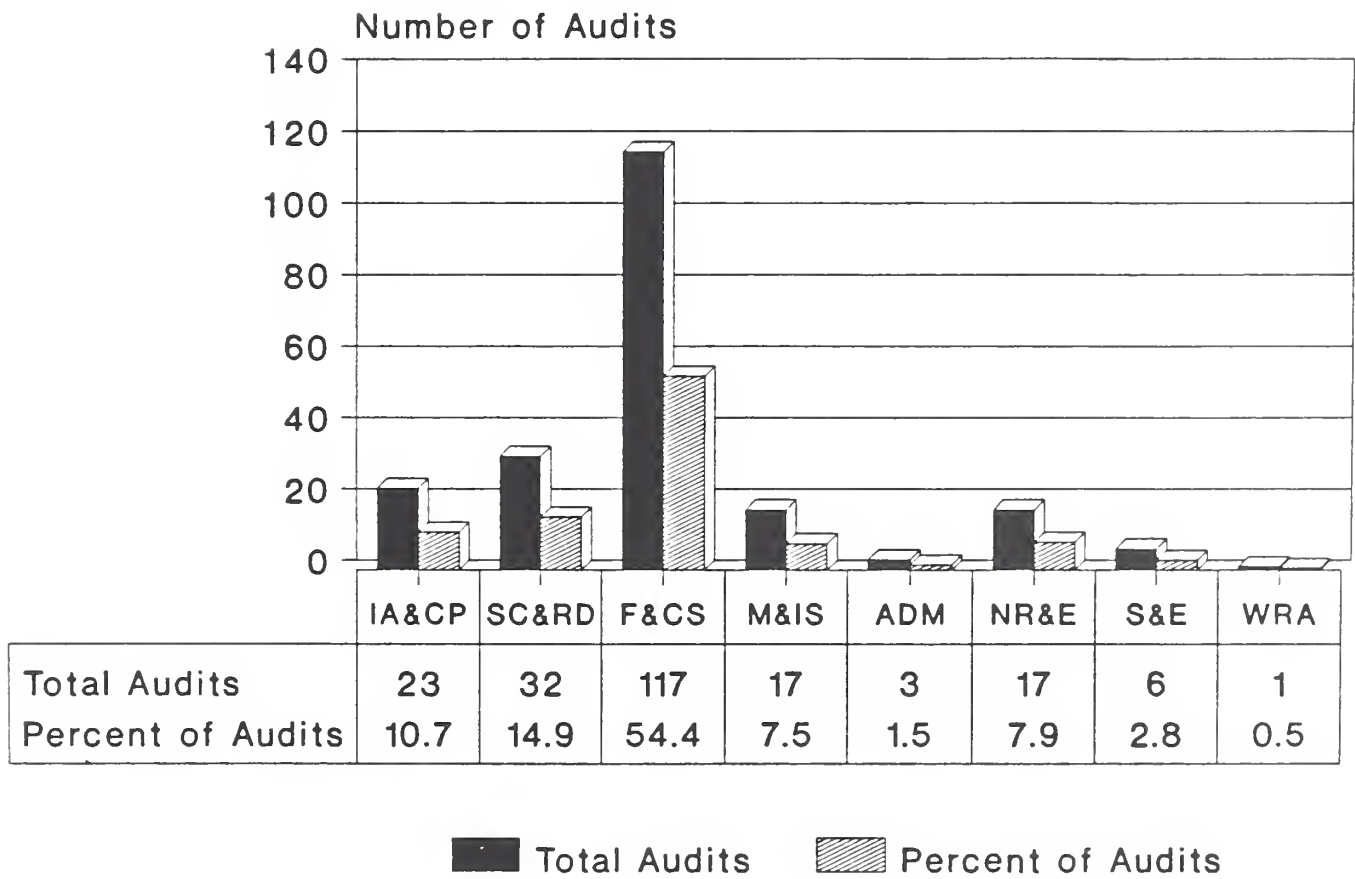
OIG AUDITS WITH FINAL ACTION FOR THE 6-MONTH PERIOD

This table shows the number of audits with final action taken by the agencies for the current reporting period.

<u>Agency</u>	<u>Number</u>	<u>Percent*</u>
<u>Under Secretary for International Affairs and Commodity Programs</u>		
ASCS	22	10.2
FAS	<u>1</u>	<u>0.5</u>
Subtotal	23	10.7
<u>Under Secretary for Small Community and Rural Development</u>		
FmHA	8	3.7
FCIC	23	10.7
REA	<u>1</u>	<u>0.5</u>
Subtotal	32	14.9
<u>Assistant Secretary for Food and Consumer Services</u>		
FNS	117	54.4
<u>Assistant Secretary for Marketing and Inspection Services</u>		
AMS	4	1.9
APHIS	3	1.4
FSIS	<u>10</u>	<u>4.2</u>
Subtotal	17	7.5
<u>Assistant Secretary for Administration</u>		
OFM	1	0.5
OO	1	0.5
OIRM	<u>1</u>	<u>0.5</u>
Subtotal	3	1.5
<u>Assistant Secretary for Natural Resources and Environment</u>		
FS	11	5.1
SCS	5	2.3
NR&E	<u>1</u>	<u>0.5</u>
Subtotal	17	7.9
<u>Assistant Secretary for Science and Education</u>		
ARS	2	0.9
ES	<u>4</u>	<u>1.9</u>
Subtotal	6	2.8
<u>USDA Welfare and Recreation Association</u>		
WRA	1	0.5
TOTAL	<u>216</u>	<u>100.0</u>

*Percentages rounded.

OIG AUDITS WITH FINAL ACTION FOR THE 6-MONTH PERIOD



OIG AUDITS INCOMPLETE 1 YEAR FROM THE DATE
OF THE MANAGEMENT DECISION

<u>AGENCY</u>	<u>NUMBER</u>	<u>PERCENT*</u>
---------------	---------------	-----------------

Under Secretary for International Affairs and Commodity Programs

ASCS	9	11.0
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Under Secretary for Small Community and Rural Development

FmHA	17	20.7
FCIC	6	7.3
REA	1	1.2

Subtotal	<u>24</u>	<u>29.2</u>
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Assistant Secretary for Food and Consumer Services

FNS	26	31.7
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Assistant Secretary for Marketing and Inspection Services

FGIS	1	1.2
AMS	5	6.1
APHIS	3	3.7
FSIS	3	3.7

Subtotal	<u>12</u>	<u>14.7</u>
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Assistant Secretary for Administration

OIRM	3	3.7
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Assistant Secretary for Natural Resources and Environment

FS	6	7.3
SCS	1	1.2

Subtotal	<u>7</u>	<u>8.5</u>
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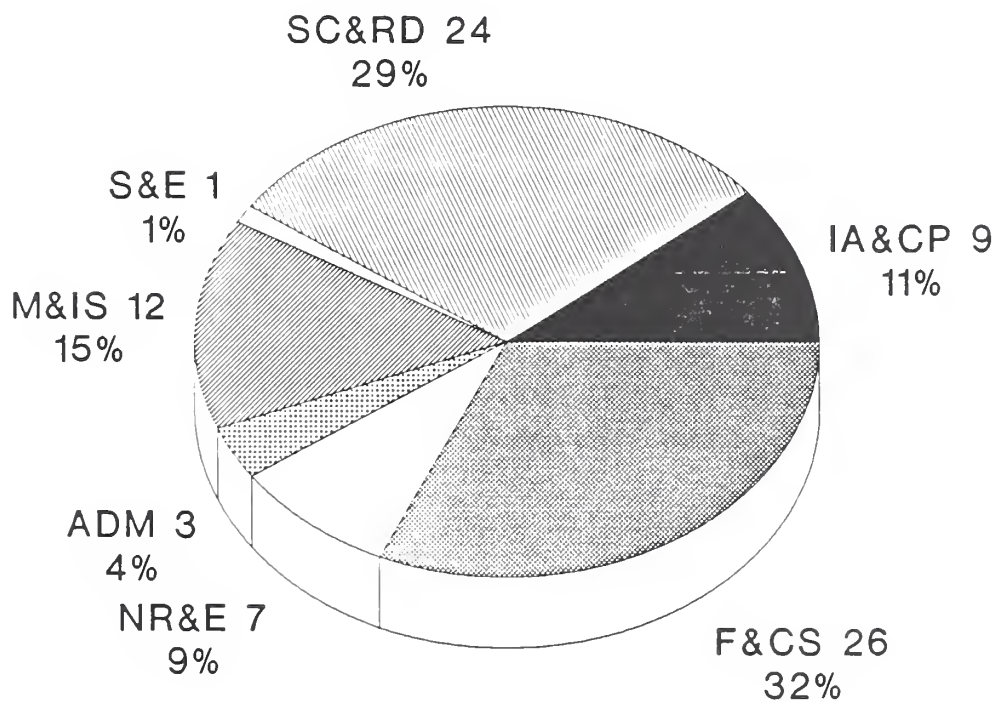
Assistant Secretary for Science and Education

CSRS	1	1.2
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TOTAL	<u>82</u>	<u>100.0</u>
	<u>==</u>	<u>==</u>

*Percentages rounded.

OIG AUDITS INCOMPLETE 1-YEAR FROM THE DATE OF THE MANAGEMENT DECISION



Total Number of Audits

**Final Action on OIG Audits With Disallowed
Costs and With Funds To Be Put To Better Use
For the 6-Month Period Ending September 30, 1990**

	Number of Audit Reports	Disallowed Costs	Number of Audit Reports	Funds To Be Put To Better Use
A. Management decisions with no final action at the beginning of the period	174	\$70,607,662	70	\$1,999,754,316
B. Management decisions made during the period	147 ¹	8,770,088	17	74,488,915
C. Final action taken during the period	102	6,140,193 ²	17	24,134,582
1. Recoveries				
(a) Collections		4,066,685		
(b) Other		1,060,293		
2. Writeoffs		964,965		
3. Total (1 + 2)		6,091,943		
4. Recommendations completed				24,134,582
5. Recommendations not implemented or completed				0
6. Total (4 + 5)				24,134,582
D. Reports needing final action at the end of the period.	219	\$73,237,557	70	\$2,050,108,649

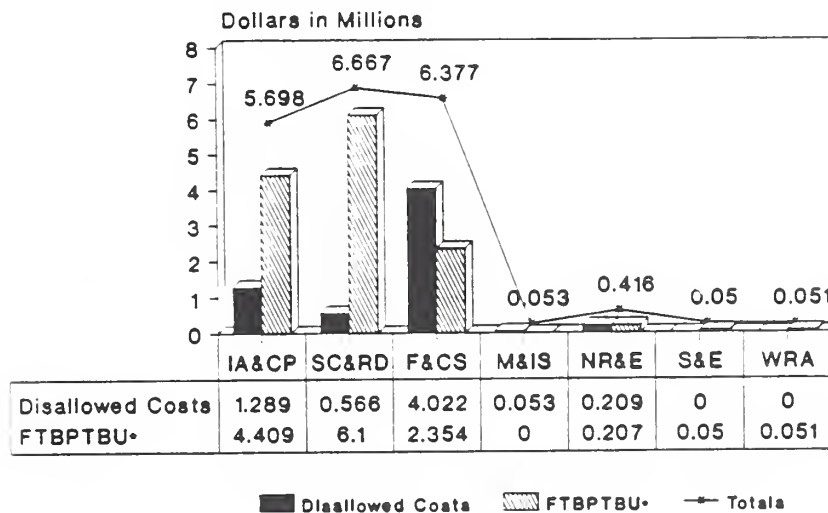
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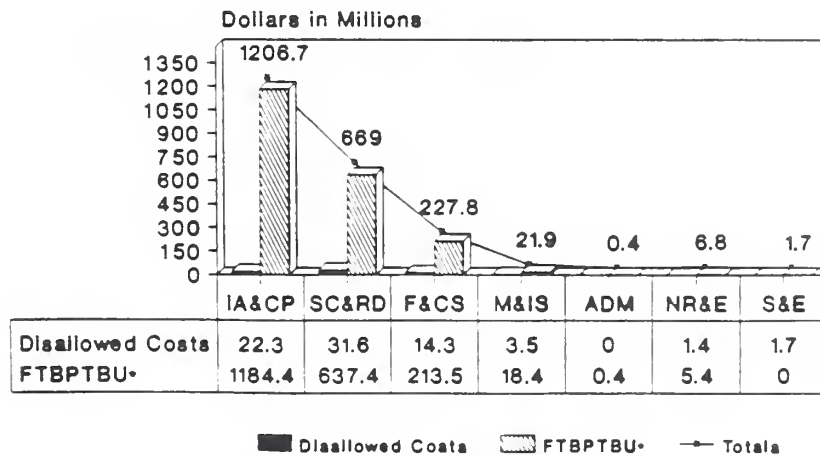
¹The number of audits with management decisions made during the period includes 17 single audits performed under the Office of Management and Budget (OMB) Circulars A-110, "Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations;" A-128, "Audits of State and Local Governments;" and A-133, "Audits of Institutions of Higher Education and Other Non-Profit Institutions," for which USDA agencies must take action. The OIG Semiannual Report for this period includes only single audits for which OIG is cognizant.

²A contracting officer's decision reduced this amount by \$48,250.

FINAL ACTION ON OIG AUDITS WITH DISALLOWED COSTS AND WITH FUNDS TO BE PUT TO BETTER USE FOR THE 6-MONTH PERIOD



OIG AUDITS INCOMPLETE 1-YEAR WITH DISALLOWED COSTS AND WITH FUNDS TO BE PUT TO BETTER USE



*FTBPTBU = Funds to be Put to Better Use

Figures rounded.

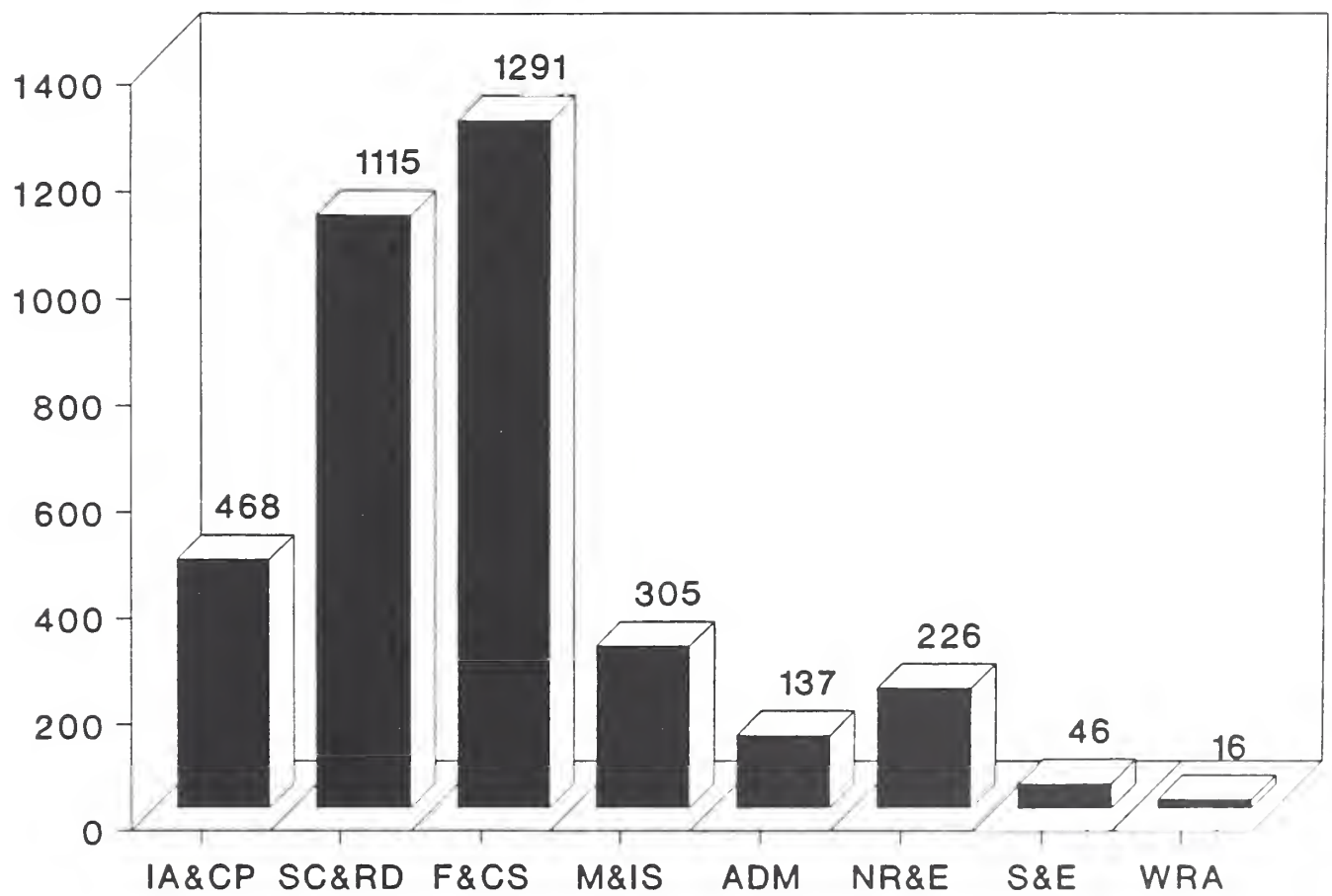
OIG AUDIT REPORT RECOMMENDATIONS

This table shows the total recommendations and the average number of recommendations included in the universe of OIG audits for this 6-month period. Agency actions to implement management decisions on each recommendation are monitored by OFM.

<u>Agency</u>	<u>Total OIG Audits</u>	<u>Total OIG Recommendations</u>	<u>Average OIG Audit Recommendations</u>
<u>Under Secretary for International Affairs and Commodity Programs</u>			
ASCS	75	412	5.5
FAS	3	46	15.3
OICD	<u>1</u>	<u>10</u>	10.0
Subtotal	79	468	5.9
<u>Under Secretary for Small Commodity and Rural Development</u>			
FmHA	60	564	9.4
FCIC	110	535	4.9
REA	<u>3</u>	<u>16</u>	5.3
Subtotal	173	1,115	6.4
<u>Assistant Secretary for Food and Consumer Services</u>			
FNS	226	1,291	5.7
<u>Assistant Secretary for Marketing and Inspection Services</u>			
FGIS	1	2	2.0
AMS	14	108	7.7
APHIS	16	100	6.3
FSIS	<u>23</u>	<u>95</u>	4.1
Subtotal	54	305	5.6
<u>Assistant Secretary for Administration</u>			
OFM	2	21	10.5
OO	2	12	6.0
OIRM	<u>6</u>	<u>104</u>	7.3
Subtotal	10	137	13.7
<u>Assistant Secretary for Natural Resources and Environment</u>			
FS	41	211	5.1
SCS	14	14	1.0
NR&E	<u>1</u>	<u>1</u>	1.0
Subtotal	56	226	4.0
<u>Assistant Secretary for Science and Education</u>			
ARS	2	3	1.5
CSRS	4	28	7.0
ES	5	11	2.2
NASS	<u>1</u>	<u>4</u>	4.0
Subtotal	12	46	3.8
<u>USDA Welfare and Recreation Association</u>			
WRA	<u>1</u>	<u>16</u>	16.0
TOTAL	611	3,604	6.0

*Averages rounded.

OIG AUDIT REPORT RECOMMENDATIONS



OIG AUDITS BY MAJOR SUBJECT CATEGORIES

This table depicts the major subject categories contained in OIG audit reports monitored for the 6-month period.

<u>Subject</u>	<u>Number of Audits</u>	<u>Percent*</u>
General	22	3.6
Program Development and Guidance	12	2.0
Eligibility Determinations	5	0.8
Compliance with Laws/Regulations/Policies/ Procedures	164	26.8
Program Requirements Results/Mission	23	3.8
Safety/Health	1	0.2
Conservation/Environmental Management	1	0.2
Cash Receipts/Disbursements	1	0.2
Claims Management	6	1.0
Payments/Payment Limitations	20	3.3
Administrative Expenses/Indirect Costs	12	2.0
Asset Management	3	0.5
Accountability for Negotiable Instruments	2	0.3
Commodity Inventories	2	0.3
Budgeting/Accounting/Reporting	7	1.2
Contract for Assets	4	0.7
Contract Compliance	23	3.8
A-76 Contracting	1	0.2
ADP System Development	6	1.0
ADP System Maintenance and Operation	1	0.2
ADP System Security	5	0.8
Computer Matching	8	1.3
Internal Controls	282	46.2
TOTAL	<u>611</u>	<u>100.0</u>

*Percentages rounded.

OIG AUDITS UNDER APPEAL OR LEGISLATIVE SOLUTION

During the period October 1, 1989, through March 31, 1990, 30 audits were under either administrative or judicial appeal. The following table shows an increase of six audits in these two categories for this 6-month period. A breakout by agency is shown on page 97 of Appendix B.

<u>Administrative Appeal</u>	<u>Judicial Appeal</u>	<u>Legislative Solution</u>
25*	12*	2
=	=	=

*Separate portions of one audit are under both administrative and judicial appeal.

SIGNIFICANT ACCOMPLISHMENTS

SIGNIFICANT ACCOMPLISHMENTS

GENERAL MANAGEMENT

Computer Enhancement

The Perishable Agricultural Commodities Act requires that traders of fresh and frozen fruits and vegetables obtain and maintain an annual USDA license. This involves processing license renewals, terminations, suspensions, or revocations for more than 15,000 firms and individuals. By enhancing its computer operations, the Agricultural Marketing Service (AMS) reduced its processing time for issuing a license from an average of 45 days to under 21 days. Complaint data is entered directly into a central data base. The daily entry and review of the data improve AMS' ability to analyze work products, industry trends, and resource needs.

Injury Compensation Cost Reduction

In 1988, AMS implemented an Injury Compensation Cost Reduction Program to reduce spiraling costs. In the beginning of Fiscal Year (FY) 1984, AMS' costs for injury and illness claims were \$660,000. Costs rose to \$1.2 million by the end of FY 1988, an increase of 81 percent in 5 years. Through cost containment efforts, AMS reduced its annual bill by approximately \$393,200. This figure amounts to almost \$8.5 million over the claimants' lifetimes. AMS realized these savings by offering modified or light duty positions, monitoring reports to detect erroneous charges for non-Agency employees, contesting claims based on fraud or abuse, and rating employees through the rehabilitation process.

Beef Marketing Information Service (BMIS)

On-the-rail sales transactions represent the carcass value of cattle suspended from rails immediately after slaughter. Increased use of on-the-rail sales transactions necessitated that AMS develop a new service for the livestock industry. AMS developed BMIS and provides it on a fee basis to interested parties. The BMIS provides the true product value of each carcass sold on-the-rail to producers, feeders, and the meat packing industry.

Post-Hurricane Hugo Assistance

Hurricane Hugo severely damaged the Virgin Islands Cooperative Extension Service and the Agricultural Experiment Station in St. Croix, Virgin Islands. The Cooperative Management Staff, with the assistance of their colleagues at the Universities of Georgia and Florida, and the North Carolina State University obtained excess property for St. Croix. The property enabled the Cooperative Extension Service and the Agricultural Experiment Station to return to normal operations.

Agency Publications

The Rural Electrification Administration (REA) enhanced controls over its publications by establishing new publication categories and streamlining its process for issuing, revising, and rescinding publications. The system is expected to keep the publications more current and to reduce significantly the costs of issuing and stocking publications. During the last 6 months, REA rescinded 30 bulletins containing obsolete or newly codified information. REA held five sessions to train its supervisory personnel on the new publications effort.

Letter of Credit Conversion

The Food and Nutrition Service (FNS) successfully converted 257 letter of credit grantees from the Department of the Treasury's Financial Communications System (TFCS) to the Department of Health and Human Services' (DHHS) System. The conversion resulted from the New York Federal Reserve Bank's decision to terminate support of the communications protocol for the TFCS letter of credit payment system. To avoid possible interruptions in payments of approximately \$9 billion a year, FNS converted all of its grantees to the DHHS system in less than 5 months.

Ethics Program

The Office of Personnel (OP) developed a comprehensive work plan for the Department's Ethics Program to respond to the requirements in the new ethics law and commitments to the General Accounting Office and the Congress. OP dedicated additional resources to the program and is meeting established objectives. The Department is well on its way to establishing a model program.

USDA Points of Light Initiative

The Secretary recently announced the "USDA Points of Light Initiative." Its purpose is to encourage and motivate employee participation and service in community-based activities. A computer system and office space are available to the volunteers who administer the program. The Secretary recognized over 100 exceptional Department employees for volunteering their services.

Cash and Debt Management

In tax year 1989, the Farmers Home Administration (FmHA) included delinquent Farm Ownership borrowers and collection-only accounts in the Internal Revenue Service offset. The changes affecting tax year 1989 resulted in collecting approximately \$4 million (net) in FY 1990. The revised regulations are in place to include collection-only accounts for Single

Family Housing (SFH) for tax year 1990. FmHA issued payment coupons to all SFH borrowers with instructions to remit payments to a lockbox. This accelerates the posting of data to borrowers' accounts, making servicing more timely and reducing collection costs to the Agency.

FOOD SAFETY

Metal Detection

AMS initiated a metal detection program for ground beef and ground pork items purchased for the National School Lunch Program. AMS requires producers of ground beef and ground pork products to use the latest state-of-the-art metal detection systems. This program further assures that meat products are high in quality, nutritious, and safe to feed millions of school children.

Salmonella Testing Laboratories (STL)

AMS strengthened its oversight of laboratories performing Salmonella analyses to support the Egg Products Inspection Program through quality assurance reviews. The reviews focus on analytical methodology, quality control, and laboratory safety. By the end of FY 1990, AMS completed reviews of 58 STL's.

Operational Rations Data Base

Operational Rations consist of meals and various food products served in military installations worldwide. AMS implemented a data base application to collect inspection information on Operational Rations for the Department of Defense. The data base provides comprehensive information on the inspection results of Operational Rations and is used by AMS inspectors and poultry graders. AMS monitors the information to identify potential problem areas, to initiate possible inplant reviews, and to analyze staffing and training needs.

Pesticide Residue Testing of Imported Tobacco

In October 1989, the Eastern Commodities Support Laboratory (ECSL) in Gastonia, North Carolina, began conducting pesticide residue analyses on imported flue-cured and burley tobacco. The analyses detect residue from 13 pesticides banned or revoked from usage in the United States (U.S.). These analyses increased ECSL's responsibility and required upgrading ECSL's analytical capability and the hiring of new support staff.

Microbial Contamination

Evidence shows that certain foodborne pathogens may survive in heat-processed products appearing to be fully cooked. USDA believes that mandatory procedures and labeling statements are needed to control the potential risks of illness from these convenience products. In May 1990, the Food Safety and Inspection Service (FSIS) requested comments for establishing regulations for certain ready-to-eat uncured, refrigerated products, such as soups, sauces, pastas, salads, and entrees. These products are processed and packaged to destroy or retard the growth of spoilage micro-organisms, giving them a much longer shelf life; but they do not receive the heat processing that traditional canned goods receive to kill bacteria. In June 1990, FSIS proposed specific processing and labeling requirements to assure the safety of fully-cooked, partially-cooked, and char-marked ground meat patties sold to food service institutions and consumers. At the same time, FSIS published an advance notice of proposed rulemaking to invite comments on requirements for other uncured cooked and partially-cooked comminuted products.

Food Safety Campaign

In April 1990, FSIS initiated a safe food handling campaign targeted to groups facing special risks from foodborne illnesses. These include the very young, very old, and chronically ill people who are most likely to become sick from foodborne bacteria because their immune systems are either not fully developed or are weakened. People with Acquired Immune Deficiency Syndrome are the fastest growing group facing special risks from foodborne bacteria. The largest group is the elderly, numbering more than 35 million. Certain illnesses in pregnant women may affect the developing fetus. People with chronic illnesses who may be especially vulnerable include diabetics, patients of chronic liver and kidney diseases, and some cancer patients. FSIS' initiative targets educational information to groups representing people especially at risk. The materials detail why these groups are at risk and how to prevent foodborne illnesses at home and when eating out.

Food Labeling

In February 1990, USDA revised its labeling regulations to require that certain substances used in meat and poultry products be listed on the product label by their common or usual name. In the past, proteinaceous materials derived from either livestock, poultry, eggs, milk, plants, or yeasts could be listed merely as flavorings. Some people have severe allergic reactions to these proteinaceous substances whose use has increased markedly during the last decade. Because of the wide effect of the changes on product labeling, FSIS is allowing the label changes to occur over 1 year and is working closely with the industry to coordinate the changes.

WORK FORCE DIVERSIFICATION

Work Force Diversity Plan

The Secretary initiated a comprehensive work force diversity plan entitled "Framework for Change: Work Force Diversity and Delivery of Programs." The goal of the plan is to build a work force representative of the Nation's diversity at entry, mid, senior, and executive levels by the year 2000. USDA distributed the strategic plan to all USDA employees to emphasize the need for involvement at all levels to achieve a work force that values cultural diversity. Since there is a positive correlation between work force diversity and the perception of fairness in program delivery, the plan advances the goal of fairness in the delivery of USDA programs.

Clerical Recruitment and Retention

AMS faced a problem of hiring and retaining qualified clerical and secretarial support. Often, well-qualified individuals joined the Agency and then left for higher pay or better benefits such as child care or parking. Positions were either vacant for an extended time or filled by individuals unprepared to face the challenges of Federal employment. To address this issue, AMS developed a comprehensive recruitment and training program. The program identifies individuals who lack the basic skills to perform successfully in clerical positions but who demonstrate a high potential for developing the knowledge. Through this highly structured training program designed to help these individuals develop technical skills for clerical positions, AMS is meeting the challenge and solving a long-standing problem. Although not designed as an Equal Employment Opportunity program, all but one participant were minorities, and several participants represented single parent, heads of households.

Career Development and Training

The Office of Personnel Management approved FmHA's changes to the qualification standards for hiring employees. Effective September 1990, FmHA can hire entry level employees with education and/or experience in finance, accounting, and business. FmHA anticipates that this change will improve greatly its ability to compete with commercial enterprises and banks for talented employees.

USDA Demonstration Project

In July 1990, the Department implemented the USDA Demonstration Project to streamline the examining process for hiring employees. The Agricultural Research Service (ARS) and the Forest Service (FS) are testing the project at approximately 140 sites with the goal of achieving diversification in the current work force. The Project includes recruiting incentives, expands relocation opportunities, and extends probationary periods for research scientists. If the project is successful, government-wide use is feasible.

SYSTEMS INTEGRATION

Redesign of Loan Accounting System

REA redesigned its loan accounting system to provide more timely information to its managers. The new Loan Accounting and Management-Post Approval System is an Agency-wide integrated accounting system, interfacing directly with loan and advances information. Management benefits include uniform policy of advances review, single data entry, centralization of related data, consistent information, easily satisfied ad hoc information requests, direct access to information, and current information on advances processing. All aspects of the system are documented for future reference through the use of a Computer Aided Software Engineering System.

Information Resources Management (IRM)

FNS continued to update its technologies and systems in support of Agency goals. During FY 1990, FNS:

- completed the fourth year of its Software Renewal Program for the redesign and integration of all FNS program and financial systems;
- tested the Processed Commodity Inventory Management System. FNS, the Agricultural Stabilization and Conservation Service (ASCS), and AMS share the system. The system tracks orders, purchases, and shipments of over \$2 billion in commodity orders annually; and
- awarded a contract to develop and implement the Integrated Financial Management Information System (IFMIS). IFMIS will upgrade and modernize FNS' financial management and oversight of nearly \$25 billion in annual Federal funding.

Modern Administrative Processing System (MAPS)

The Office of Finance and Management (OFM) continued its program to develop MAPS. MAPS will transform the current paper-driven administrative process to one that is largely electronic. When MAPS is developed and implemented, the electronic office will be the norm within USDA. In FY 1990, OFM selected three agencies to pilot test the system, developed the first working prototype of the system, and continued refinement and selection of hardware and software to support the system. OFM formed Departmental committees to address the policy and regulatory changes brought on by this impending conversion to an electronic process. The Department is moving aggressively through the use of rapid prototyping techniques and relational data base capabilities to achieve the projected efficiencies and benefits of the MAPS concept.

Implementation of the Harmonized System of Trade Reporting

Under the Omnibus Trade and Competitiveness Act of 1988, the U.S. Bureau of the Census (Census) converted reporting of U.S. trade data to the international harmonized system (HS). This required that the Economic Research Service (ERS) reprogram its data processing systems to read magnetic tapes of export and import data beginning with the January 1989 statistics. ERS converted the Census data to its agricultural groupings consistent with their historical series and monitored it monthly. ERS notified the Census of commodities diverging from historical patterns and incorporated changes and revisions into its historical series. ERS made major changes caused by incorrect commodity coding by exporters and importers. The Agency's ongoing efforts to identify misreporting resulted in extensive realignment of procedures. Since January 1990, ERS monitored and integrated many refinements in the structure of the original HS code system into its master file to ensure consistency of data series.

Supply and Demand

As part of USDA's ongoing efforts to integrate national and international commodity and analytical systems, the World Agricultural Outlook Board continued to publish the World Agricultural Supply and Demand Estimates (WASDE) Report. The WASDE provides worldwide projections of supply and utilization data for grains, oilseeds, and cotton, and for U.S. estimates for red meat, poultry, eggs, and milk. The Report includes forecast reliability tables for selected commodities and parameters.

Information Sharing

The Secretary endorsed the development of a USDA IRM strategic plan in July 1990. This effort will change the way USDA agencies manage information and information technology. The plan focuses on integrating systems to support information sharing and streamlining the delivery of USDA programs. USDA established an executive committee composed of a representative from each Under Secretary and Assistant Secretary. The projected completion date is August 1991.

INTERNATIONAL PROGRAMS

Export Credit Guarantee Programs

Export credit guarantee programs help to ensure the availability of credit to finance commercial U.S. agricultural exports. In FY 1990, the Foreign Agricultural Service (FAS) registered about 40 agricultural commodities with a sales value of \$4.3 billion for export under credit guarantee programs to 34 countries. The Public Law (P.L.) 480 concessional program provided U.S. food donations to needy people worldwide valued at almost \$435 million (excluding transportation costs) and commodities through long-term repayment provisions valued at over \$725 million.

Foreign Market Development

The USA Poultry and Egg Export Council (USAPEEC) persuaded H. K. Supermarkets in Hong Kong to cosponsor instore taste-sampling promotions of U.S. Rock Cornish game hens. Initial sales of 20,000 pounds persuaded the supermarket chain to carry U.S. Rock Cornish game hens on a permanent basis. One supermarket chain introduced a major U.S. producer's line of Rock Cornish game hens under another promotion activity. FAS expects sales of \$100,000 to \$200,000 for this product next year. A 24-day promotion to test the marketability of chicken nuggets resulted in the sale of 1,950,000 portions totaling 600,900 pounds of U.S. chicken and a decision by a U.S. fast food chain in Hong Kong to include chicken nuggets on its permanent menu.

American Wool

The American Sheep Industry Association sponsored combing and spinning trials to demonstrate that processing results achieved from U.S. wool are as good as wool from other countries. During 1990, the largest wool combers in West Germany and Taiwan purchased their first U.S. wool, and a first-time buyer from Japan purchased 350,000 pounds of wool.

Soybean Seed Market

Revised import requirements for the European Community (EC) soybean seed plant health, if fully implemented, would close a valuable market to U.S. soybean seed exports. Working closely with FAS and other USDA agencies, the American Seed Trade Association encouraged development of procedures acceptable to the EC plant health officials and the U.S. trade. As a direct result of these activities, we reached a temporary solution with officials in France and Italy, the primary EC markets for U.S. soybean seeds. FAS anticipates that U.S. shipments of soybean seeds to the EC in 1990 will match last year's level of \$28 million.

U.S. Tobacco Exports to Turkey

The Tobacco Associates' (TA) development efforts paved the way to open Turkey's market to unmanufactured tobacco imports for the first time in nearly a century. Working closely with TA's technical experts, the Turkish Tobacco Monopoly (TEKEL) successfully developed and introduced an American blend type cigarette named "TEKEL 2000" in December 1988. TA anticipates TEKEL's purchases of U.S. tobacco will exceed \$50 million in Calendar Year 1990.

U.S. Cotton Sales

More than 100 European textile executives participated in a 3-day marketing seminar hosted by Cotton Council International in Switzerland. During the session, exporters sold U.S. cotton amounting to \$6.5 million and expect that the new European contacts will result in over 130,000 bales of export sales valued at \$36 million.

California Wines Promotion

The California Wine Institute identified the off-license retail trade which accounts for 79 percent of the United Kingdom wine business as a necessary building block to increase its market share of one percent. Utilizing Targeted Export Assistance (TEA) Program funds, the Institute developed a promotional program to assure retailers of industry support before they stocked and promoted California wines. Five large grocery and four major wine merchant chains participated in the promotions. The higher distribution of California wines in the off-license trade increased sales of California wines by 58.7 percent during the first 6 months of 1990.

Citrus Promotions

A trade and consumer advertising program resulted in high visibility for Sun World citrus, a participant in the TEA Incentive Program, and increased sales over 18 percent during the 1990 season. A carefully directed trade advertising campaign gave Sun World an 18 percent increase in shipments to Europe. Capitalizing on liberalized market conditions, Sunkist launched an aggressive program in Japan to assist each level of the trade to move record amounts of Sunkist navel oranges to Japanese consumers. The navel orange movement in the 1989-90 season improved by more than 1 million cartons over the previous season high recorded in 1988. Confronted by a hostile market due to rising prices of U.S. orange concentrates, increased competition following Japan's gradual juice market deregulation and escalating supplies from Brazilian shippers, Sunkist increased spending for television advertising with a frequency never before used in this market. The demand for U.S. orange concentrates boosted Sunkist's export sales in the first 8 months of 1990 to the level of last year's total sales for the entire 12-month period.

Forest Products

In June 1990, Japan announced a comprehensive package of market opening and wood utilization increasing measures. These actions reduced tariffs, reclassified products to tariff line items of lower duty rates, changed product standards and certifications, and modified building codes. Japan reclassified a number of U.S. processed wood product exports resulting in an immediate five-fold increase in sales. The U.S. industry estimates that these actions will increase export sales by about \$1 billion.

Export Enhancement Program (EEP)

The EEP attempts to regain overseas markets for U.S. agricultural commodities, challenge unfair trading practices of competitor countries, and encourage trading partners to negotiate on the reform of world agricultural trade. The sale of roughly 15 million metric tons of wheat and flour, 1 million metric tons of feed grains, 44 thousand metric tons of barley malt, 44 thousand metric tons of vegetable oil, 85 million table eggs, and 18 thousand metric tons of frozen poultry totalled \$2.4 billion in FY 1990. This represents approximately 6 percent of U.S. agricultural exports.

Technical Assistance in Developing Countries

The National Agricultural Statistics Service (NASS) provided technical assistance to eight developing countries, staffing five with long-term resident agricultural statisticians and providing three with short-term assistance. NASS gave a formal agricultural statistics course, "Basic Agricultural Survey Statistics and Methods," to 23 international students from 11 countries and 22 participants in Pakistan.

Impacts of Trade Liberalization

As part of ERS' research on trade liberalization, the Agency completed a series of global commodity market studies. They include wheat, rice, coarse grains, poultry and eggs, pork, beef, oilseeds, dairy, tobacco, sugar, fresh fruits and vegetables, wine, and tropical beverages. ERS published the analyses in a series of commodity specific reports. Each commodity report provides a qualitative review and extensive quantitative information regarding supply and demand factors, policies affecting world trade, the importance of world trade, and the potential impact of trade liberalization on world trade patterns, with emphasis on the U.S.

FARMER PROGRAMS

Farm Cooperatives

Cooperatives allow farmers to achieve goals unattainable on an individual basis. In 1990, the Agricultural Cooperative Service (ACS) participated in 100 formal technical assistance projects with 126 cooperatives and producer groups in 32 States. This increased the number of cooperatives served by nearly 6 percent. ACS conducted 67 projects for emerging and developing cooperatives and producer groups representing 2,700 members. Ten of these groups incorporated as new cooperatives in 1990.

DOMESTIC FOOD ASSISTANCE

Child Nutrition Programs

During FY 1990, FNS:

- implemented a pilot demonstration project with the Archdiocese of Philadelphia to determine the best way to provide year-round food assistance to homeless preschool children in shelters;

- initiated six Child and Adult Care Food Program projects to test innovative approaches to remove or reduce participation barriers to low income and rural family day care homes;
- developed regulations to simplify the free and reduced price application process, implement permanent State/local agreements and the direct certification process, authorize reimbursement for meal supplements for schools operating after school hours care centers, and modify requirements pertaining to State Administrative Expense funds;
- approved proposals from local school food authorities to test alternatives to current requirements for determining eligibility for free and reduced price meals, and counting and claiming those meals for reimbursement; and
- awarded \$3 million to 17 States to defray nonrecurring costs associated with starting School Breakfast Programs.

Special Commodity Initiative

In cooperation with AMS and ASCS, FNS initiated a long-term project to improve the distribution and quality of commodities in Child Nutrition Programs. In FY 1990, FNS:

- distributed the Commodity Foods Newsletter to over 20,000 school food authorities nationwide every 3 months during the school year;
- established an intra-Departmental task force to improve USDA responses to problems with commodity foods;
- implemented changes in operations and procurement systems to improve predictability of commodity deliveries; and
- continued its efforts to review current specifications to obtain the lowest possible fat, salt, and/or sugar levels, while maintaining acceptability, functionality and consistency with dietary guidelines.

Implementation of the Commodity Reform Act of 1988, P.L. 100-237

Congress enacted the Commodity Reform Act to improve commodity distribution systems at the Federal and State levels for all Federal food programs distributing commodities. FNS implemented the following provisions of P.L. 100-237 in 1990:

- required State Distributing Agencies to evaluate their current warehouse and distribution services and convert to commercial systems if more cost efficient, unless FNS approves an alternative system;
- held two Food Distribution Advisory Council meetings and prepared a report to Congress;

- provided a recipe book to recipients of the Food Distribution Program on Indian Reservations that specifically utilizes the commodities provided in the food package for reservations; and
- developed a standard format to provide USDA with program recipients' commodity preferences.

Soup Kitchens and Food Banks

In FY 1990, FNS provided approximately 77 million pounds of commodities valued at \$40 million to States for distribution to soup kitchens and food banks.

Emergency Food Assistance Program

FNS allocates administrative funds and commodities to States based on the number of unemployed persons and the number of persons with incomes below the poverty level within each State. During FY 1990, FNS distributed \$49.8 million in administrative funds and \$119.6 million in commodities. The Commodity Credit Corporation donated \$117.4 million in surplus commodities.

Special Supplemental Food Program for Women, Infants, and Children (WIC)

In FY 1990, FNS:

- issued interim final regulations to implement provisions of the Hunger Prevention Act of 1988 regarding the participation of homeless individuals in the WIC Program;
- issued proposed regulations to implement provisions of the Anti-Drug Abuse Act of 1988 requiring State and local WIC agencies to provide drug and alcohol abuse information to WIC applicants and participants;
- issued interim final regulations to implement provisions of the Child Nutrition and WIC Reauthorization Act of 1989 regarding cost containment systems; and
- developed and distributed a brochure in English and a poster in English and Spanish to warn WIC participants and applicants about the dangers of alcohol and drug use during pregnancy and breastfeeding.

Food Stamp Program

During FY 1990, FNS:

- continued several demonstration projects directed toward program simplification and testing of alternative systems for issuing food stamp benefits;

- acted upon 95 requests for waivers of regulations to provide State agencies with maximum flexibility to administer the program more effectively and efficiently;
- approved 53 Employment and Training (E&T) Program State Plans, allotted Federal funds for employment and training activities, and provided State agencies with guidance on E&T Program operations; and
- checked 5,447 stores for food stamp violations.

Nutrition and Technical Services Support of Program Operations

During FY 1990, FNS:

- established a National Food Service Management Institute through a cooperative agreement with the University of Mississippi;
- updated nutrient profiles from nationwide school menu data collected in 1989 and 1990;
- developed and proposed a new adult meal pattern for the Child and Adult Care Food Program;
- reviewed 4,600 Child Nutrition labels and a record number of approvals for alternative cheese products;
- revised the Child Nutrition Labeling Program: Inspector's Guide for FSIS' use in monitoring production of Child Nutrition labeled products;
- published and distributed the WIC Breastfeeding Promotion Study and Demonstration Phase IV Report;
- developed the Infant Formulas, Exempt Infant Formulas and Medical Foods Eligible for Use in WIC, a reference providing technical information on products available to WIC participants;
- developed, published, and distributed The WIC Exchange: Ideas to Help Nutrition Educators Help Clients; and
- developed and signed a cooperative agreement with the Harvard School of Public Health to develop a dietary assessment methodology appropriate for use in the WIC Program.

WATER QUALITY RESEARCH

Ground Water

ERS studied the economic and environmental implications of alternative management strategies to protect ground water from agricultural chemicals. The research showed that increased planting flexibility and land retirement generates water quality benefits by reducing agricultural chemical use and soil erosion. However, the costs for a conservation reserve program targeted towards vulnerable cropland would be significantly higher than the current conservation reserve program.

RURAL DEVELOPMENT

Rural Development Policy

The President's January 1990 Rural Development Initiatives for the Federal Government was based on an internal report that criticized existing USDA rural development policy and program implementation. Drawing heavily on prior ERS research experience in rural development, the Agency played a key role in developing a strategy to implement the President's Rural Development Initiatives. This included the development of a Rural Economic Development Institute and the creation and staffing of State Rural Development Councils. The knowledge accumulated by ERS contributed significantly to these activities.

1890 UNIVERSITIES

Centennial of the 1890 Universities

ERS participated actively in celebrating the Centennial of the 1890 land-grant college system. In June 1990, the Agency cosponsored a 4-day symposium on the history of the 1890 system at the Florida A&M University. Historians, other social scientists, and a number of 1890 college and university administrators attended the conference to discuss the work of these schools over the past century and their future direction. Through a cooperative agreement, ERS commissioned the writing of a book on the history of agriculture and the 1890 system. The book will show the progress made in agricultural, extension, and home economic work and the difficulties that the schools overcame.

AGENCY OIG AUDITS INCOMPLETE WITHIN 1 YEAR

AGENCY OIG AUDITS INCOMPLETE WITHIN 1 YEAR

Agencies did not complete corrective action within 1 year on 82 audits. The 41 audits indicated with an asterisk (*) were in the report for the period October 1, 1989, through March 31, 1990. Some audits contain multiple recommendations affecting the completion of final action. Of the 82 audits shown below, 8 audits recommend complex system changes, 18 audits involve collection activities, 20 audits recommend development and implementation of regulations or directives, 10 audits have legal implications, 9 audits require action by other than USDA agencies, management decisions on 15 audits are time-consuming to implement, and 6 audits contain non-monetary recommendations deemed low priority by the agencies.

Agency	Date Issued	Report Title	Disallowed Costs	Funds To Be Put To Better Use
AMS	1/5/88	1. South Florida Lime and Avocado Administrative Committees, Report #01031-43-AT.*	0	0
	3/4/89	2. Cotton Research and Promotion Program, Report #01045-4-AT.	\$380,101	0
	3/31/89	3. Audit of Meat Grading Operations, Report #01061-10-CH.	0	0
	1/3/89	4. Identification of End Users of Imported Flue-Cured and Burley Tobacco, Report #01091-2-AT.	0	0
	9/30/88	5. Implementation of Research and Promotion Acts, Report #01099-15-AT.	0	0
ASCS	5/9/89	6. Virginia State Agricultural Stabilization and Conservation Service, Report #03001-45-HY.	16,902	0
Subtotal			<u>\$397,003</u>	<u>0</u>

Agency	Date Issued	Report Title	Disallowed Costs	Funds To Be Put To Better Use
Previous Subtotal			<u>\$397,003</u>	<u>0</u>
ASCS (Con't)	3/31/89	7. Survey of Producer Payment History Files, Report #03099-17-FM.	5,046	0
	7/27/89	8. Survey of 1988 Disaster Program SCOAP Software Internal Controls, Report #03099-21-FM.	13,989	0
	3/31/88	9. ASCS Payment Limitation Provisions, Survey of Share Leases, Report #03099-53-SF.*	2,133,766	0
	7/12/88	10. Controls Over Personnel Involved in Outside Employment and Activities, Report #03099-115-KC.*	0	0
	9/30/88	11. Limitation of Conservation Reserve Program Payments to Financial Institutions, Report #03099-124-KC.*	5,540,301	\$25,082,280
	4/21/89	12. Survey of 1986 Disaster Payment Program-Payne County, Stillwater, Oklahoma, Report #03099-140-TE.	21,581	0
	4/20/89	13. Audit of Large Payments for 1986, R.C. Farming Partnership, Fresno County, California, Report #03645-11-SF.	825,096	0
	6/2/89	14. Audit of Large Payments for 1986, La Reata Farms, Report #03645-17-TE.	1,289,513	27,232
Subtotal			<u>\$10,226,295</u>	<u>\$25,109,512</u>

Agency	Date Issued	Report Title	Disallowed Costs	Funds To Be Put To Better Use
Previous Subtotal			<u>\$10,226,295</u>	<u>\$25,109,512</u>
FmHA	4/21/89	15. FmHA State Office Management and Operations Delaware-Maryland State Office, Dover, Delaware, Report #04001-32-HY.	0	64,765
	8/11/89	16. Review of FmHA Housing Preservation Grant Program in Arkansas, Report #04003-8-TE.	0	1,800
	8/10/88	17. Implementation of the Office of Management and Budget's Nine Point Credit Management Program, Report #04006-2-AT.	0	0
	7/14/89	18. Audit of Kingman, Reno, and Stafford County Office Operations, Hutchinson, Kansas, Report #04012-381-KC.	20,548	0
	11/21/88	19. FmHA Guaranteed Loan System, Report #04091-6-FM.*	0	0
	12/28/88	20. Survey of FmHA Housing Preservation Grant Program, Report #04099-69-SF.	0	0
	4/15/86	21. FmHA Loans to Nicolosi Enterprise, Inc., and Concentric Pipe Rentals, Inc., Report #04099-113-TE.*	2,515,992	0
	7/28/86	22. FmHA Guaranteed Business and Industrial Loan to Sanders Equipment, Inc., Report #04099-115-TE.*	5,075,060	0
Subtotal			<u>\$17,837,895</u>	<u>\$25,176,077</u>

Agency	Date Issued	Report Title	Disallowed Costs	Funds To Be Put To Better Use
Previous Subtotal			<u>\$17,837,895</u>	<u>\$25,176,077</u>
FmHA (Con't)	6/11/87	23. Survey of FmHA Debt Management of Defaults on Guaranteed Loans, Report #04099-118-TE.*	0	0
	5/22/89	24. Interest Accrual on Guaranteed Loans Delinquent Over 90 Days, Report #04099-143-TE.	0	8,378,513
	4/24/89	25. Guadalupe Economic Services Corporation Housing Preservation Grant, Report #04099-145-TE.	133,360	0
	9/30/86	26. Labor Housing Program, Report #04099-198-AT.*	0	0
	8/10/88	27. FmHA Farm Programs and Single Family Housing Debt Settlements Mississippi and Missouri, Report #04099-269-AT.*	0	0
	2/2/89	28. Controls Over Community Program Loan Instruments and Payments, Report #04099-279-AT.	0	284,989
	7/16/85	29. Nationwide Audit of County Office Operations, Report #04642-1-TE.*	0	0
	9/29/88	30. Farmer Program Guaranteed Loans Need Improvement, Report #04665-2-TE.*	0	483,405,395
	Subtotal		<u>\$17,971,255</u>	<u>\$517,244,974</u>

Agency	Date Issued	Report Title	Disallowed Costs	Funds To Be Put To Better Use
Previous Subtotal			<u>\$17,971,255</u>	<u>\$517,244,974</u>
FmHA (Con't)	3/4/87	31. Oversight of Program Operations Through the Use of Certified Public Accountants, Report #50659-4-CH.*	0	0
FCIC	3/31/88	32. Audit of Federal Crop Insurance Corporation Reinsurance Operations- Mississippi, Report #05099-11-AT.	822,104	12,680,562
	4/21/89	33. Audit of Federal Crop Insurance Contracts for Crop Year 1988, Yellow Medicine County, Minnesota, Report #05099-11-CH.	0	0
	4/13/89	34. Audit of Federal Crop Insurance Contracts for Crop Year 1988, West Polk County, Minnesota, Report #05099-12-CH.	0	0
	4/14/89	35. Audit of Federal Crop Insurance Contracts for Crop Year 1988, Cottonwood County, Minnesota, Report #05099-13-CH.	0	0
	8/10/89	36. Audit of 1988 Wheat Contract No. 30-105-01080 for Valley County, Montana, Report #05099-40-KC.	0	0
	8/11/89	37. Audit of 1988 Wheat Contract No. MP-062573 for Bowman County, North Dakota, Report #05099-44-KC.	0	0
Subtotal			<u>\$18,793,359</u>	<u>\$529,925,536</u>

Agency	Date Issued	Report Title	Disallowed Costs	Funds To Be Put To Better Use
		Previous Subtotal	<u>\$18,793,359</u>	<u>\$529,925,536</u>
FS	12/18/87	38. Audit of the Forest Level Information Processing System ADP Security Policies and Procedures, Report #08099-3-FM.*	0	0
	11/21/88	39. Forest Service's Electronic Time and Attendance (ETA) System's Internal Controls, Report #08099-9-FM.*	0	0
	7/7/88	40. Followup Review of Forest Service Corrective Actions on Prior Audit of Yearend Procurement Activity, Report #08099-27-AT.	0	0
	1/24/86	41. Timber Sales Management- Timber Appraisals, Report #08627-3-SF.*	0	0
	4/3/89	42. Audit of South Carolina Forestry Commission, Columbia, South Carolina, for the Fiscal Years Ended June 30, 1985 and 1986, Report #50566-8-AT.	0	0
	3/17/89	43. Audit Report on the Department of Lands, State of Idaho, for the Period July 1, 1984 - June 30, 1987, Report #50566-11-SF.	87,400	0
REA	3/31/87	44. Oversight of Program Operations Through the Use of Certified Public Accountants, Report #50659-3-CH.*	0	1,500,000
		Subtotal	<u>\$18,880,759</u>	<u>\$531,425,536</u>

Agency	Date Issued	Report Title	Disallowed Costs	Funds To Be Put To Better Use
Previous Subtotal			<u>\$18,880,759</u>	<u>\$531,425,536</u>
SCS	6/6/85	45. Contractor Claim for Additional Construction, Sanderson Canyon Watershed Project, Terrel County, Texas, Report #10545-12-TE.*	0	305,787
CSRS	10/31/88	46. Corrective Action on an Office of Management and Budget Circular A-110 Audit, Alabama Agricultural and Mechanical University (A&M), Report #13099-5-AT.	962,263	0
FSIS	5/9/89	47. Audit of the Indirect Cost Proposals for the Two Years Ended June 30, 1987 for the State of West Virginia Department of Agriculture, Report #24092-23-HY.	2,522,280	0
	2/5/87	48. FSIS Exporting Procedures, Report #24097-1-AT.*	0	0
	11/17/88	49. Monitoring and Controlling Pesticide Residues in Domestic Meat and Poultry Products, Report #24609-1-AT.	0	0
FNS	3/3/88	50. Food Distribution Program Commodity Inventory Accountability, Report #27002-7-NY.*	0	0
	7/12/88	51. Food Stamp Program Casefile Documentation in Florida, Report #27013-60-AT.*	65,898	5,405,579
Subtotal			<u>\$22,431,200</u>	<u>\$537,136,902</u>

Agency	Date Issued	Report Title	Disallowed Costs	Funds To Be Put To Better Use
		Previous Subtotal	<u>\$22,431,200</u>	<u>\$537,136,902</u>
FNS (Con't)	8/26/88	52. Food Services Operations, Department of Education, Government of Guam, Report #27022-41-SF.*	529,379	0
	9/18/88	53. Summer Food Service Program of Children - Village of Haywood City, Report #27028-42-KC.*	3,214	0
	8/25/88	54. Summer Food Service Program - City of Hayti Heights, Missouri, Report #27028-43-KC.*	3,156	0
	3/30/89	55. Child Care Food Program- Whispering Wonders Pre-School, Report #27029-175-HY.	3,868	0
	3/31/89	56. Child Care Food Program - Bethany Christian School, Report #27029-193-HY.	16,802	0
	3/31/89	57. Child Care Food Program - Universal Church of Christ, Report #27029-207-HY.	96,297	0
	3/31/89	58. Child Care Food Program- Emmanuel Progressive Child Development Center, Inc., Report #27029-233-HY.	7,113	0
	10/1/87	59. 1986 Child Care Food Program - Boys Harbor, Inc., Report #27029-961-NY.*	183,174	0
		Subtotal	<u>\$23,274,203</u>	<u>\$537,136,902</u>

Agency	Date Issued	Report Title	Disallowed Costs	Funds To Be Put To Better Use
Previous Subtotal			<u>\$23,274,203</u>	<u>\$537,136,902</u>
FNS (Con't)	12/12/88	60. 1987 Child Care Food Program - Boys Harbor, Inc., Report #27029-1055-NY.*	53,170	0
	7/31/87	61. Nutrition Assistance Program Block Grant, San Juan, Puerto Rico, Report #27080-3-NY.*	298,370	0
	6/20/89	62. Contracting of Food Service Management Companies in the National School Lunch Program, Report #27099-25-SF.	0	0
	12/7/88	63. Child Care Food Program, River Region Human Development, Inc., Donaldsonville, Louisiana, Report #27099-44-TE.*	11,828	0
	3/15/89	64. Yield Shortages at Better Baked Foods, Inc., Report #27099-79-CH.	162,989	0
	3/29/89	65. Tri-Valley Economic Opportunity Council Special Distribution Program, Report #27099-81-CH.	23,299	0
	10/31/86	66. Food Stamp Program Quality Control Error Rate Reduction System, Report #27650-2-HY.*	0	0
	6/15/88	67. Special Supplemental Food Program for Women, Infants, and Children - Vendor Monitoring and Food Instrument Delivery Systems, Report #27661-2-CH.*	0	0
	Subtotal		<u>\$23,823,859</u>	<u>\$537,136,902</u>

Agency	Date Issued	Report Title	Disallowed Costs	Funds To Be Put To Better Use
		Previous Subtotal	<u>\$23,823,859</u>	<u>\$537,136,902</u>
FNS (Con't)	7/12/88	68. Food Stamp Program Case File Documentation, Report #27662-2-AT.*	0	170,091,044
	8/30/88	69. Audit of Food Stamp Administrative Costs in Washington, Report #27665-3-SF.	903,531	154,914
	1/26/88	70. Audit Report on the Government of Guam, Report #50568-91-SF.	171,902	0
	5/24/89	71. Audit of South Carolina Department of Mental Retardation, Columbia, South Carolina, for the Fiscal Years Ended June 30, 1986 and June 30, 1987, Report #50568-143-AT.	0	0
	7/28/88	72. Department of Social and Health Services, State of Washington, Report #50568-179-SF.*	47,439	652,387
	10/28/88	73. Nebraska Department of Health, Report #50568-185-KC.*	0	0
	1/25/89	74. Department of Education, State of Alaska, Report #50568-260-SF.*	0	0
	4/18/89	75. Audit Report on the Government of Guam for the Fiscal Year Ended September 30, 1986, Report #50568-291-SF.	0	0
		Subtotal	<u>\$24,946,731</u>	<u>\$708,035,247</u>

Agency	Date Issued	Report Title	Disallowed Costs	Funds To Be Put To Better Use
Previous Subtotal			<u>\$24,946,731</u>	<u>\$708,035,247</u>
FGIS	8/30/88	76. FGIS Grain Inspection Processes and Procedures, Report #37008-2-HY.*	0	0
APHIS	11/9/87	77. South Dakota Department of Agriculture (SDDA), Report #50566-8-KC.*	5,855	0
	7/28/88	78. Missouri Department of Agriculture, Report #50566-9-KC.*	0	91,549
	10/8/87	79. Kansas Animal Health Department (KAHD), Report #50567-5-KC.*	5,016	11,046
OIRM	9/30/88	80. PCIE Computer Systems Integrity Project, National Computer Center at Kansas City, Report #58099-10-FM.*	0	0
	4/1/87	81. Procurement and Technical Approval of ADP Equipment and Software in USDA, Report #50550-9-HY.*	0	0
	3/23/87	82. Automated Data Processing Maintenance Agreements Within the Department of Agriculture, Report #50555-1-HY.*	0	0
Total			<u>\$24,957,602</u>	<u>\$708,137,842</u>

EXPLANATIONS OF AGENCY OIG AUDITS INCOMPLETE WITHIN 1 YEAR

1. **South Florida Lime and Avocado Administrative Committees, issued January 5, 1988.***

The audit recommended that AMS:

- evaluate the Committees' methods of projecting crop production;
- require reporting of individual assessment rebates totaling \$600 or more to the Internal Revenue Service (IRS); and
- require Committees to obtain annual financial statements reflecting changes in fund balances and sources of funds rebated to handlers.

OGC referred the recommendation to report refunds to handlers in excess of \$600 to IRS. OGC formally requested an opinion from IRS, but IRS has not responded.

2. **Cotton Research and Promotion Program, issued March 4, 1989.**

The audit recommended that AMS determine the collectibility of \$380,101 in assessments, penalties, and interest. The Cotton Board recovered \$157,660 and classified \$188,727 as uncollectible. The collectibility of a \$21,204 promissory note is pending a determination by the United States Bankruptcy Court for the Southern District of Texas, and one company is repaying \$12,510 through installments. AMS continues to seek the collection of \$33,714.

3. **Audit of Meat Grading Operations, issued March 31, 1989.**

The audit recommended that AMS:

- establish written procedures to obtain or establish data bases for retail outlets subject to P.L. 272;
- review a representative number of retail outlets annually; and
- revise its procedures for followup reviews on violations of P.L. 272 in conjunction with other technical and administrative reviews.

The revised procedures addressing the P.L. 272 requirements are complete.

4. **Identification of End Users of Imported Flue-Cured and Burley Tobacco, issued January 3, 1989.**

The audit recommended that AMS obtain an OGC opinion regarding proper funding sources for end-user activities and the use of funds from other activities without specific authorization. AMS asked OGC to determine whether sections 1161 or 1166 of the Food Security Act authorized user fees to cover the costs of the tobacco end-user program. OGC advised AMS that neither section provided such authority and provided drafting assistance for legislation to obtain the necessary authority. The enacted legislation appears as section 1204(c) of the Omnibus Budget Reconciliation Act of 1990.

5. **Implementation of Research and Promotion Acts, issued September 30, 1988.**

The audit recommended that AMS:

- evaluate the per-head increase in production costs from domestic beef and pork producers resulting from promotion order assessments and seek to equalize import assessments;
- determine if trade agreements would be violated by equalizing imported beef assessments and consider the necessity for legislation to equalize imported pork assessments; and
- establish operating procedures for the Cattlemen's Beef Promotion and Research Board (Board).

AMS developed a policy and procedures manual for the Board to oversee Qualified State Beef Councils' use of assessment funds. The manual describes the Board's oversight responsibilities, its relationship with AMS, and the requirement for Qualified State Beef Councils to comply with the Beef Promotion and Research Order.

6. **Virginia State Agricultural Stabilization and Conservation Service, issued May 9, 1989.**

The audit recommended that ASCS:

- require manual reconciliation of Wheat and Feed Grain Program payments;
- identify voided commodity certificates for cancellation when new software is developed;
- review the final 1988 Wheat and Feed Grain Program payments for accuracy;

- instruct District Directors and County Executive Directors to adhere to established procedures for calculating payments for future Emergency Feed, Agricultural Conservation, and Conservation Reserve Programs;
- recover overpayments and issue supplemental checks for underpayments;
- review Emergency Feed Program payments to ensure proper calculations;
- change periodically the telecommunications password and establish provisions for verification of data entry; and
- strengthen internal controls over County Office (CO) operations.

The collection activities associated with this audit are delaying final action.

7. Survey of Producer Payment History Files, issued March 31, 1989.

The audit recommended that ASCS:

- prepare and distribute listings of identical Social Security Numbers, Employer Identification Numbers, and the payments made to these Identifications (ID's);
- coordinate corrections of each producer's ID;
- correct farm and payment records;
- review records to collect overpayments or payment limitation excesses;
- develop procedures to maintain unique ID's;
- develop procedures to review centralized name and address files to validate ID's; and
- resume production and distribution of the payment limitation exception and aged reports.

The development of software delayed final action. ASCS is testing the software for release in early FY 1991.

8. Survey of 1988 Disaster Program SCOAP Software Internal Controls, issued July 27, 1989.

The audit recommended that ASCS:

- develop enhanced State and County Office Automation Project (SCOAP) software to identify producers who received unearned final deficiency benefits;

- develop and implement procedures to notify producers who received unearned final deficiency benefits;
- issue a procedural notice to require entry of FCIC indemnity amounts and the payment status code into the SCOAP Disaster Software; and
- require review documentation on SCOAP files to ensure prompt entry and maintenance of payment status codes.

The collection activities associated with this audit are delaying final action.

9. **ASCS Payment Limitation Provisions, Survey of Share Leases, issued March 31, 1988.***

The audit recommended that ASCS:

- review program payments made to companies through leases;
- initiate collection of payments in excess of the payment limitation;
- review the largest landowners to determine if they used schemes and devices to circumvent program regulations and contractual requirements; and
- establish controls over producers operating in more than one county.

The notification to producers of their appeal rights and collection activities are delaying final action.

10. **Controls Over Personnel Involved in Outside Employment and Activities, issued July 12, 1988.***

The audit recommended that ASCS revise procedures to require County Executive Directors to report outside employment and financial interests to the State Executive Director for review. During a review of USDA's conflict-of-interest reporting procedures, GAO suggested changes to ASCS' draft procedures. The changes are complete for issuance in early FY 1991.

11. **Limitation of Conservation Reserve Program Payments to Financial Institutions, issued September 30, 1988.***

The audit recommended that ASCS determine if the lender's Financial Plan is a scheme or device to circumvent the payment limitation. The complexities of the audit, multi-State involvement, and legal issues have delayed final action.

12. **Survey of 1986 Disaster Payment Program - Payne County, Stillwater, Oklahoma, issued April 21, 1989.**

The audit recommended that ASCS collect overpayments and implement controls to ensure proper computation of program payments. The collection activities, now complete, delayed final action.

13. **Audit of Large Payments for 1986, R.C. Farming Partnership, Fresno County, California, issued April 20, 1989.**

This audit recommended that ASCS:

- obtain repayment of \$825,096 from R.C. Farming Partnership (R.C.);
- review R.C.'s operations for subsequent years to determine whether the conditions noted in this report continued; and
- obtain any resulting overpayments.

The entities reviewed during the audit are under OIG investigation. No action can be taken until the OIG completes the investigation.

14. **Audit of Large Payments for 1986, La Reata Farms, issued June 2, 1989.**

The audit recommended that ASCS direct the county committee to review all facts, confirm that La Reata engaged in a scheme or device, recover \$983,189, and not repay \$27,232. The entities reviewed during the audit are under OIG investigation. ASCS cannot take action until the OIG completes the investigation.

15. **FmHA State Office Management and Operations, Delaware-Maryland State Office, Dover, Delaware, issued April 21, 1989.**

The audit recommended that FmHA:

- strengthen supervision and guidance for Rural Housing loan, grant, and interest credit processing;
- provide instructions for servicing Rural Housing;
- emphasize controls over cash management;
- ensure the CO is secure when personnel are unavailable;
- ensure annual reviews of loans to relatives of CO employees serviced by the CO; and

- ensure District Offices perform and document reviews and use them to assess CO weaknesses and training needs.

The time to locate, acquire, and modify space to meet office needs and ensure office security delayed final action.

16. Review of FmHA Housing Preservation Grant Program in Arkansas, issued August 11, 1989.

The audit recommended that FmHA:

- strengthen controls over the Housing Preservation Grant (HPG) Program;
- ensure HPG funds are advanced in accordance with immediate cash needs;
- ensure compliance with HPG preapplication and application deadlines;
- ensure grant increases are consistent with FmHA policy;
- evaluate cases not meeting home ownership requirements; and
- ensure compliance with HPG Program income eligibility requirements.

FmHA expects final action in December 1990.

17. Implementation of the Office of Management and Budget's Nine Point Credit Management Program, issued August 10, 1988.

The audit recommended that FmHA:

- report delinquent commercial and consumer debts to credit bureaus;
- match delinquent borrowers with Federal employment files and develop an automated system for cases referred to the Department of Justice;
- revise writeoff regulations and instructions;
- establish controls to monitor field office debt settlement determinations; and
- maintain subsidiary accounts on debt writeoffs for future collection actions.

FmHA expects to complete the revised regulations and the modification of automated systems by September 1994.

18. **Audit of Kingman, Reno, and Stafford County Office Operations, Hutchinson, Kansas, issued July 14, 1989.**

The audit recommended that FmHA request financial statements from two borrowers and review them for graduation. One loan was repaid, and the other loan could not be graduated. FmHA issued a notice of acceleration, a demand for payment, and an opportunity for a hearing to the borrower.

19. **FmHA Guaranteed Loan System, issued November 21, 1988.***

The audit recommended that FmHA analyze the most cost-beneficial approach for improving and updating the Guaranteed Loan System. Final action requires the design of a new accounting and reporting system which FmHA is reviewing along with initiatives for a subsidized guaranteed program for housing and farmer programs. A statement of work to contract for building a guaranteed loan program enterprise model is in FmHA's IRM support services contract. This long-term process involves a contractor and FmHA resources and is consistent with Agency initiatives for automation and system development projects. FmHA anticipates awarding the IRM contract and completion of the enterprise model by early FY 1991.

20. **Survey of FmHA Housing Preservation Grant Program, issued December 28, 1988.**

The audit recommended that FmHA:

- issue instructions to ensure grantees are aware of the necessity to prepare Financial Status Reports that reconcile to their accounting records;
- complete all repair projects prior to closing out the grant agreement; and
- certify that final building inspection reports are reviewed and filed prior to submission of the final quarterly progress reports.

The revised regulations to incorporate the changes are in clearance. FmHA expects publication in early FY 1991. The regulatory changes are part of implementing the rental rehabilitation aspect of the HPG. Limited HPG funds and critical legislative mandates requiring staff resources delayed final action.

21. **FmHA Loans to Nicolosi Enterprise, Inc., and Concentric Pipe Rentals, Inc., issued April 15, 1986.***

The audit recommended that FmHA refer the findings of noncompliance to OGC to determine if the Agency had recourse for cited violations against either the lender or the Federal Deposit Insurance Corporation (FDIC). FDIC accounted adequately

for all collateral on Nicolosi Enterprises, Inc., and remitted \$88,032 to FmHA. These funds are FmHA's pro rata share distributed by the Bankruptcy Court from the sale of collateral securing the FmHA guaranteed loan. Final action awaits FDIC's decision on FmHA's Proof of Claim for Concentric Pipe Rentals, Inc. FDIC paid \$94,974 to FmHA on the Concentric Pipe Rentals, Inc., account. OGC must concur with the FDIC decision, and FmHA must approve the lender's Loan Note Guarantee Report of Loss before closure is obtained. Concentric Pipe Rentals, Inc., is in Bankruptcy Court.

22. **FmHA Guaranteed Business and Industrial Loan to Sanders Equipment, Inc., issued July 28, 1986.***

The audit recommended that FmHA refer the findings of noncompliance to OGC to determine if the Agency had recourse for cited violations. Final action is pending the resolution of the Proof of Claim filed with FDIC in October 1988. Once FDIC makes the decision on the Proof of Claim, FmHA will take action to close this case.

23. **Survey of FmHA Debt Management of Defaults on Guaranteed Loans, issued June 11, 1987.***

The audit recommended that FmHA establish internal controls over debt management of loss claims resulting from defaults on guaranteed loans. FmHA is reviewing the proposed regulations and expects publication in the Federal Register in early FY 1991 with final rules in May 1991.

24. **Interest Accrual on Guaranteed Loans Delinquent Over 90 Days, issued May 22, 1989.**

The audit recommended that FmHA amend its regulations and lender agreements to require estimated loss reports for guaranteed loans if the liquidation period exceeds 90 days. FmHA agreed to amend its regulations and lender agreements to terminate interest accrual on its guaranteed loans. OMB extended its review of the proposed rule.

25. **Guadalupe Economic Services Corporation Housing Preservation Grant, issued April 24, 1989.**

The audit recommended that FmHA terminate the grant for poor performance and for failure to account for funds and interest earned on advances. FmHA declined to terminate the grant. OIG agreed with FmHA's decision. The grantee is on a repayment schedule.

26. Labor Housing Program, issued September 30, 1986.*

The audit recommended that FmHA:

- emphasize that no rental income is to be received from tenants in single family-type labor housing when loan agreements are waived;
- require borrowers to account for rental income;
- require borrowers to execute loan agreements if they collect rent and establish the necessary accounts; and
- advise borrowers that violations could result in loan foreclosure.

FmHA anticipates a final rule to incorporate these recommendations by February 1991.

27. FmHA Farm Programs and Single Family Housing Debt Settlements, Mississippi and Missouri, issued August 10, 1988.*

The audit recommended that FmHA:

- revise its regulations to require verification of debtor and spousal income, abnormally high living expenses, equity in significant assets, and any pending ASCS or crop insurance payments for debtors who recently farmed; and
- reprogram its systems to produce reports on debt settlements for writeoffs and recoveries and revise its accounting treatment of settlements.

FmHA published proposed rules in the Federal Register in July 1989 and expects to publish final rules in early FY 1991. The systems modifications to report debt writeoffs and account settlements are in the programming/testing phase. FmHA will request modifications to report writeoffs and writedowns in early FY 1991.

28. FmHA Controls Over Community Program Loan Instruments and Payments, issued February 2, 1989.

The audit recommended that FmHA take prompt action to modify its computer accounting system to report accurately the schedule status of monthly payment borrowers. Due to the early stages of the modifications, there is no definite implementation date.

29. Nationwide Audit of County Office Operations, issued July 16, 1985.*

The audit recommended that FmHA:

- strengthen internal controls;
- develop and implement a method for determining refund checks; and
- improve controls over interest credit recapture operations.

In January 1990, FmHA implemented a new methodology for granting subsidy that eliminates any accelerated principal paydown on loans, assumptions, and credit sales closed after December 31, 1989. FmHA plans to make a one-time adjustment to accounts originated prior to January 1, 1990, and add Principal Reduction Attributed to Subsidy into the principal balance. The revision to Instruction 1951-I, "Recapture of Section 502 Rural Housing Subsidy," is in progress. The priority of handling the substitution and transfer of servicing to the trust of Single Family loans involved in the 1987 asset sales delayed final action. FmHA plans to implement the revised instruction in April 1991.

30. Farmer Program Guaranteed Loans Need Improvement, issued September 29, 1988.*

The audit recommended that FmHA:

- establish and/or strengthen controls to monitor conversion of direct loan borrowers to the guaranteed loan program;
- obtain statements from lenders indicating that they reviewed the borrower's financial information and that they could not consider giving the borrower a loan;
- implement policies and procedures to collect debts on defaulted loans; and
- computerize controls to detect and prevent borrowers who default from obtaining FmHA loans without repayment of the defaulted loans.

FmHA awarded a contract to study the issues. A draft of the report is in review. After analyzing the report, FmHA will develop and revise its regulations. The scheduled publication of proposed rules is May 1991.

31. Oversight of Program Operations Through the Use of Certified Public Accountants, issued March 4, 1987.*

The audit recommended that FmHA:

- revise its instructions to require that audits of FmHA borrower operations are performed in accordance with Generally Accepted Government Auditing Standards (GAGAS);
- revise its audit guide to conform to the requirements of OMB Circular A-128;
- develop a guide and train personnel to review audits; and
- followup or resolve non-Federal audits to ensure compliance with applicable audit standards and subsequent corrective action.

With the exception of the audit review guides, the training, and the development of an automated tracking system to monitor the servicing of multifamily housing projects, the recommendations are complete. The tracking system is in the initial design stage and targeted for completion in FY 1994. FmHA is monitoring through a decentralized, manual tracking system. FmHA is reviewing drafts of the guides.

32. Audit of Federal Crop Insurance Corporation Reinsurance Operations - Mississippi, issued March 31, 1988.

The audit recommended that FCIC:

- complete a study on stage guarantees and amend crop insurance policies to provide for reduced indemnity payments at appropriate crop production stages;
- require the producer to certify the names in which production is sold from acreage farmed by the producer; and
- either establish claims for loss overpayments or provide justification that a claim is not appropriate.

A Loss Simplification Task Force recommended that FCIC not implement stage guarantees because it would not result in loss simplification. OIG stated that stage guarantees would improve the program's actuarial integrity and provide insurance coverage that fairly compensates for production costs incurred by insureds. FCIC estimates it will take 2 years to insert language in all crop adjustment procedures. OIG requested that FCIC take no further administrative action on these cases until other claims are final.

33. **Audit of Federal Crop Insurance Contracts for Crop Year 1988, Yellow Medicine County, Minnesota, issued April 21, 1989.**

The audit recommended that FCIC ensure preharvest crop inspections are conducted. FCIC deems non-monetary audit findings low priority in comparison to determining the validity of OIG audits with monetary findings. FCIC will address this audit when final determinations are provided to either the insurance company or the Field Service Office.

34. **Audit of Federal Crop Insurance Contracts for Crop Year 1988, West Polk County, Minnesota, issued April 13, 1989.**

The audit recommended that FCIC ensure preharvest crop inspections are conducted. FCIC deems non-monetary audit findings low priority in comparison to determining the validity of OIG audits with monetary findings. FCIC will address this audit when final determinations are provided to either the insurance company or the Field Service Office.

35. **Audit of Federal Crop Insurance Contracts for Crop Year 1988, Cottonwood County, Minnesota, issued April 14, 1989.**

The audit recommended that FCIC ensure preharvest crop inspections are conducted. FCIC deems non-monetary audit findings low priority in comparison to determining the validity of OIG audits with monetary findings. FCIC will address this audit when final determinations are provided to either the insurance company or the Field Service Office.

36. **Audit of 1988 Wheat Contract No. 30-105-01080 for Valley County, Montana, issued August 10, 1989.**

The audit recommended that FCIC ensure preharvest crop inspections are conducted. FCIC deems non-monetary audit findings low priority in comparison to determining the validity of OIG audits with monetary findings. FCIC will address this audit when final determinations are provided to either the insurance company or the Field Service Office.

37. **Audit of 1988 Wheat Contract No. MP-062573 for Bowman County, North Dakota, issued August 11, 1989.**

The audit recommended that FCIC ensure preharvest crop inspections are conducted. FCIC deems non-monetary audit findings low priority in comparison to determining the validity of OIG audit with monetary findings. FCIC will address this audit when final determinations are provided to either the insurance company or the Field Service Office.

38. **Audit of the Forest Level Information Processing System ADP Security Policies and Procedures, issued December 18, 1987.***

The audit recommended that FS develop an automated tool to obtain information on computer software installation. Development of this information is complete, and FS released the automated tool with the October software update. FS expects complete implementation by December 1991.

39. **Forest Service's Electronic Time and Attendance (ETA) System's Internal Controls, issued November 21, 1988.***

The audit recommended that FS:

- develop control objectives for the ETA system to meet GAO standards;
- establish documentation standards for the ETA system; and
- incorporate user documentation into the FS directive system.

Final action is expected by January 1991.

40. **Followup Review of Forest Service Corrective Actions on Prior Audit of Yearend Procurement Activity, issued July 7, 1988.**

The audit recommended that FS perform a thorough and timely followup review of all yearend procurements and report all identified violations to the Secretary as required. FS asked for a Comptroller General Decision on yearend procurements that appeared to violate the bona fide need rule and provisions of the Anti-Deficiency Act. Further action awaits the Comptroller General's Decision.

41. **Timber Sales Management - Timber Appraisals, issued January 24, 1986.***

The audit recommended that FS:

- establish national standards for timber appraisals which result in advertised values within a range of 75 to 85 percent of actual bid values;
- establish controls to ensure appraisals are maintained within the standard specified; and
- direct its Northern Region (Region 1) to reduce the statistical adjustment factor of the transaction evidence appraisal system to ensure timber advertised values remain in a range of 75 to 85 percent of the current bid values.

FS continues to work on acceptable standards to measure overbids. Region 1 will reduce its average overbids from 70 to 80 percent of its advertised rates by July 1991. FS intends to develop and implement a transaction evidence based appraisal system in two other Regions over the next 3 years.

42. Audit of South Carolina Forestry Commission, Columbia, South Carolina, for the Fiscal Years Ended June 30, 1985 and 1986, issued April 3, 1989.

The audit recommended that FS ensure that the South Carolina Forestry Commission (SCFS):

- improve and strengthen its internal controls;
- improve its accounting for Federal funds;
- establish procedures to identify and record lease commitments at fiscal yearend;
- deposit receipts in the proper fiscal year;
- reconcile receipts and permits with deposits;
- require vendors to forward invoices directly to the accounting office in Columbia, South Carolina;
- fill the internal auditor position;
- review its insurance policies to increase or obtain coverage; and
- maintain separate payroll and personnel files and limit access to the office.

SCFC is establishing a system to satisfy the recommendations. A new accounting staff and the impact of Hurricane Hugo are delaying final action.

43. Audit Report on the Department of Lands, State of Idaho, for the Period July 1, 1984, through June 30, 1987, issued March 17, 1989.

The audit recommended that FS ensure that the State Agency (SA):

- include an equal opportunity provision in its contracts for other than small purchases;
- solicit minority business firms for contract services;
- submit timely Federal financial status reports;
- document costs charged to Federal programs; and

- instruct subrecipients on Federal audit requirements.

The SA did not respond to FS' request for documentation to support corrective actions.

44. Oversight of Program Operations Through the Use of Certified Public Accountants, issued March 31, 1987.*

The audit recommended that REA require borrowers' audits be performed in accordance with GAGAS. OMB extended its review period of REA's proposed regulation.

45. Contractor Claim for Additional Construction, Sanderson Canyon Watershed Project, Terrel County, Texas, issued June 6, 1985.*

The audit recommended that SCS review the questioned costs of a contractor's claim resulting from an alleged differing site condition by the contractor. SCS initiated settlement negotiations with the contractor. Flooding in Texas and other States placed an additional burden on the availability of personnel to address this audit. SCS expects a decision on the final settlement amount in early FY 1991.

46. Corrective Action on an Office of Management and Budget Circular A-110 Audit, Alabama Agricultural and Mechanical University (A&M), issued October 31, 1988.

The audit recommended that CSRS bill Alabama A&M University for costs improperly charged under P.L. 95-113. The University provided documentation identifying non-Federal charges that could be substituted for these costs. OIG agreed to accept these charges as replacement costs when CSRS certifies their validity through a planned on-site review.

47. Audit of the Indirect Cost Proposals for the Two Years Ended June 30, 1987, for the State of West Virginia Department of Agriculture, issued May 9, 1989.

The audit recommended that FSIS require the SA to carry forward the cumulative over-recovery of indirect costs to the next indirect cost rate negotiation. FSIS issued a new rate which is pending negotiation with the SA. Recovery of the cost will take approximately 4 years through carry forward adjustments and the use of a nominal indirect cost rate.

48. FSIS Exporting Procedures, issued February 5, 1987.*

The audit recommended that FSIS issue regulations governing the Acceptable Quality Level Program for all classes of poultry expected to remain subject to Directive 918.1, "Poultry Carcass Inspection Program." The impact of a National

Academy of Sciences (NAS) report titled, "Poultry Inspection, The Basis for a Risk Assessment Approach," and the public's concern about Salmonella contamination caused FSIS to shift its priorities and delayed publication of the proposed rule. FSIS is holding the rule pending peer review by NAS of FSIS' Streamlined Inspection System for Cattle. NAS expects to complete the study in early FY 1991.

49. Monitoring and Controlling Pesticide Residues in Domestic Meat and Poultry Products, issued November 17, 1988.

The audit recommended that FSIS:

- require residue staff officers to contact producers and other government and State agencies on violations;
- establish controls to document administrative procedures used to investigate the source and cause of violations;
- ensure casefiles are properly maintained; and
- ensure violations are recorded properly in the Microbiological and Residue Computer Information System.

FSIS expects completion of the National Residue Program Directive in February 1991.

50. Food Distribution Program Commodity Inventory Accountability, issued March 3, 1988.*

The audit recommended that FNS:

- implement procedures for the monthly reconciliation of the FNS-155 which captures data on the receipt and distribution of USDA donated commodities with the KC-269A report on the receipt of shipments by State Distributing Agencies (DA);
- develop and implement computer programs to perform the reconciliation; and
- develop procedures requiring DA's to include commodity shipment delivery order numbers on FNS-155 reports.

OMB is reviewing the revised FNS-155 report and a supporting schedule for clearance. The computer software to perform the FNS-155/KC-269A reconciliation is included in the Special Nutrition Program Integrated Information System. Reconciliation will occur when the Processed Commodities Inventory Management System (PCIMS) is implemented. The PCIMS will provide the ASCS commodity shipment information to reconcile these reports.

51. **Food Stamp Program Casefile Documentation in Florida, issued July 12, 1988.***

The audit recommended that FNS:

- establish a claim against the SA for food stamps issued to households with inadequate eligibility documentation;
- require the SA to monitor local districts' semiannual reconciliations of the food stamp issuance masterfile against casefile documentation;
- instruct local districts to document reconciliation listings;
- monitor new procedures for supervisory controls; and
- establish claims for overissued food stamps.

Final action is complete on the monetary findings. The State directed the SA to concentrate its staff resources on developing a Statewide, multiprogram computer system rather than on regular program administration. FNS is pursuing satisfactory documentation to support corrective actions.

52. **Food Services Operations, Department of Education, Government of Guam, issued August 26, 1988.***

The audit recommended that FNS:

- recover funds for overstated counts of meals served under the National School Lunch (NSLP) and School Breakfast Programs (SBP) during the 1986 and 1987 school years and part of the 1988 school year; and
- require the SA to compute and remit to FNS the excess NSLP and SBP reimbursement payments received for the following classes of meals for the 3-year period the auditors did not examine:
 - free and reduced price meals served to ineligible persons;
 - breakfasts served under the SBP's severe need component in schools not eligible to be classified as being in severe need; and
 - meals served to ineligible persons in Head Start Program operations.

The SA did not conduct the reviews within a reasonable timeframe. FNS withheld payments due the SA for FY's 1989 and 1990 for administrative costs and meal reimbursements under the Child Nutrition Programs. FNS provided limited

FY 1989 funds for the SA to engage a Certified Public Accountant (CPA) firm to complete the work and to reimburse local program operators not affiliated with the SA. The CPA report recommended that FNS recover additional funds from the SA for ineligible meals. FNS recovered the disallowed costs identified in the original audit, and the SA requested that the additional funds be offset against FY 1989 funds. This offset will complete final action.

53. Summer Food Service Program for Children - Village of Haywood City, issued September 18, 1988.*

The audit recommended that FNS:

- recover funds in excess of allowable reimbursements; and
- require the sponsor to report accurately costs incurred in operating and administering the Summer Food Service Program and the number of meals served to eligible program participants.

FNS is collecting the disallowed costs through a repayment schedule. This is delaying final action.

54. Summer Food Service Program - City of Hayti Heights, Missouri, issued August 25, 1988.*

The audit recommended that FNS recover funds in excess of allowable reimbursements. FNS is collecting the disallowed costs through a repayment schedule. This is delaying final action.

55. Child Care Food Program - Whispering Wonders Pre-School, issued March 30, 1989.

The audit recommended that FNS:

- collect excess reimbursements;
- instruct the sponsor to report accurately its enrollment for free, reduced-price, and paid children's meals and to establish procedures to ensure that application forms are complete;
- instruct the sponsor to collect and maintain all necessary program records; and
- instruct the sponsor to claim meals based on actual meal counts.

FNS is collecting the disallowed costs through a repayment schedule. This is delaying final action.

56. Child Care Food Program - Bethany Christian School, issued March 31, 1989.

The audit recommended that FNS:

- collect excess reimbursements; and
- instruct the sponsor not to claim meals in excess of licensed capacity.

FNS is collecting the disallowed costs through a repayment schedule. This is delaying final action.

57. Child Care Food Program - Universal Church of Christ, issued March 31, 1989.

The audit recommended that FNS:

- collect excess reimbursements;
- instruct the sponsor to report accurately its enrollment for free, reduced-priced, and paid children's meals and to establish procedures to ensure that application forms are complete;
- instruct the sponsor to ensure that all claims for reimbursement and mathematically accurate before they are submitted for reimbursement;
- instruct the sponsor to claim meals actually served but not to exceed actual meal deliveries; and
- instruct the sponsor to claim meals based on actual meal counts but not to exceed licensed capacity.

FNS is collecting the disallowed costs through a repayment schedule. This is delaying final action.

58. Child Care Food Program - Emmanuel Progressive Child Development Center, Inc., issued March 31, 1989.

The audit recommended that FNS:

- collect excess reimbursements resulting from incorrect reporting of enrollment mix and instruct the sponsor to report the enrollment mix correctly;
- instruct the sponsor not to claim meals in excess of licensed capacity; and
- instruct the sponsor to report meals correctly.

FNS is collecting the disallowed costs through a repayment schedule. This is delaying final action.

59. **1986 Child Care Food Program - Boys Harbor, Inc., issued October 1, 1987.***

The audit recommended that FNS collect funds paid in excess of program regulations. OGC informed FNS that it would be difficult to obtain a recovery due to unclear regulations. FNS agreed to revise its regulations to clarify the acceptable method for obtaining reimbursement for meals served by a sponsor. Regulatory and policy activities for the adult day care component of the Child Care Food Program (CCFP) and clarification of authority to assess overclaims for inadequate recordkeeping delayed final action. FNS expects to publish proposed rules in early FY 1991 and final rules by January 1991.

60. **1987 Child Care Food Program - Boys Harbor, Inc., issued December 12, 1988.***

The audit recommended that FNS collect funds paid in excess of program regulations. OGC informed FNS that it would be difficult to obtain a recovery due to unclear regulations. FNS agreed to revise its regulations to clarify the acceptable method for obtaining reimbursement for meals served by a sponsor. Regulatory and policy activities for the adult day care component of the CCFP and clarification of authority to assess overclaims for inadequate recordkeeping delayed final action. FNS expects to publish proposed rules in early FY 1991 and final rules by January 1991.

61. **Nutrition Assistance Program Block Grant, San Juan, Puerto Rico, issued July 31, 1987.***

The audit recommended that FNS:

- require the SA to coordinate with other Federal agencies to obtain a proper allocation of administrative funds for integrated services; and
- require the SA to submit revised financial reports.

The Department of Health and Human Services (DHHS) is responsible for the allocation of costs for the SA administering the Puerto Rico Nutrition Assistance Program. FNS referred the Cost Allocation Plan (CAP) to DHHS for approval. The SA is negotiating with DHHS for approval of its CAP. Final action is pending approval of the CAP and the SA's revised financial reports.

62. **Contracting of Food Service Management Companies in the National School Lunch Program, issued June 20, 1989.**

The audit recommended that FNS:

- establish contracting guidelines for Food Service Management Companies (FSMC);

- direct SA's to eliminate unnecessary hiring and comply with other restrictions;
- enforce the requirement that fixed price contracts be awarded through competitive bids by School Food Authorities (SFA);
- request a waiver from OMB to allow fixed price contracts with FSMC; and
- require SFA using cost reimbursable contracts with FSMC to install cost controlling provisions on contracts.

FNS agreed to improve management controls over procurement and publish more restrictive procurement regulations. Information was not available to develop a long-term policy, and FNS awarded a contract in September 1990 to study FSMC in school nutrition programs. FNS suspended regulatory action pending the results of the study.

63. Child Care Food Program, River Region Human Development, Inc., Donaldsonville, Louisiana, issued December 7, 1988.*

The audit recommended that FNS:

- instruct the Louisiana Department of Education to recover \$2,692 in disallowed CCFP costs and duplicate claims;
- require the auditee to either develop a CAP or provide documentation for charging \$19,483 in administrative costs to the CCFP; and
- recover any payments made to the auditee for administrative costs not substantiated under an acceptable CAP.

FNS established a receivable for \$2,875, representing \$2,692 in disallowed costs and \$183 determined unallowable by the SA. The auditee appealed the claim, but FNS sustained it and notified the SA to collect the funds. State auditors examined the auditee's records to determine the propriety of the balance of the questioned costs. Their findings generated additional disallowances that raised the claim amount to \$7,697. The auditee agreed to a repayment schedule. Collection will be complete in February 1991. FNS is working with the SA to develop an acceptable CAP.

64. Yield Shortages at Better Baked Foods, Inc., issued March 15, 1989.

The audit recommended the FNS recover the value of yield shortages. Better Baked Foods, Inc., refuted the claim amount and agreed to submit documentation to support a reduction in the claim amount. Better Baked Foods, Inc., did not submit the documentation to FNS. After unsuccessful attempts to recover the claim amount,

FNS referred this audit to OGC. OGC determined that prior to pursuing further collection attempts, FNS must obtain an assignment of claims from the States involved. This would allow FNS to collect the value of commodities allocated to the States. FNS is preparing a recommendation to OGC that such assignments be obtained and is gathering the information necessary to obtain them.

65. **Tri-Valley Economic Opportunity Council Special Distribution Program, issued March 29, 1989.**

The audit recommended that the SA:

- require the Tri-Valley Economic Opportunity Council (TVEOC) to establish a system for allocating costs to the pasta program and return any excess income to DA's;
- ensure that food banks and food shelves have written agreements under the Temporary Emergency Food Assistance Program (TEFAP);
- ensure pasta distribution is in accordance with TEFAP regulations and that pasta distributed to other States be monitored by those States;
- notify TVEOC, food banks, and recipient agencies to maintain accurate and complete records and perform periodic reviews to ensure proper maintenance of records; and
- direct the processor to refund the value of the donated commodities.

All administrative actions are complete and disallowed costs collected. FNS directed that TVEOC repay the overcharges to the local agencies. The SA is reviewing documentation from TVEOC to support repayment of the overcharges.

66. **Food Stamp Program Quality Control Error Rate Reduction System, issued October 31, 1986.***

The audit recommended that FNS require SA Quality Control reviewers to attempt completion of all refusal-to-cooperate cases through collateral contacts. FNS drafted proposed rules in February 1986. During clearance of the rules, FNS realized the proposed policy change had greater statistical implications than the Agency expected. FNS suspended processing of the rules until issue resolution. In November 1987, FNS expected that an NAS study of quality control on Aid to Families with Dependent Children and Medicaid and an FNS contracted study would address the statistical issue related to refusal-to-cooperate cases. The NAS study did not address the issue. FNS released and distributed its study to the public in early FY 1990. FNS expects to publish rules by early 1991.

67. Special Supplemental Food Program for Women, Infants and Children - Vendor Monitoring and Food Instrument Delivery Systems, issued June 15, 1988.*

The audit recommended that FNS:

- establish minimum requirements to identify high-risk vendors; and
- establish high-risk vendor investigative requirements.

Final action is incomplete pending issuance and implementation of final regulations on food delivery in the Women, Infants and Children Program. FNS is clearing a proposed rule for publication in the Federal Register.

68. Food Stamp Program Casefile Documentation, issued July 12, 1988.*

The audit recommended that:

- the SA reconcile periodically the master FSP issuance file against casefile documentation on a sample basis;
- the SA monitor followup actions by local Food Stamp Offices to ensure documentation is located for casefiles identified as deficient;
- the SA establish claims and make appropriate fraud referrals for the cases identified in the audit;
- FNS encourage SA's to establish strong supervisory controls over documentation; and
- FNS clarify the verification needed for households' utility expense deductions.

FNS included the adequacy of casefile documentation as a national priority target area in its management evaluation program for FY's 1989, 1990 and 1991. FNS also proposed program language in the OMB Compliance Supplement for Single Audits of State and Local Governments focusing on casefile documentation. FNS promoted strong supervisory controls over documentation through error reduction conferences and release of the 1988 Catalog of Program Improvement Activities and issued guidance clarifying the verification needed for utility expense deductions in June 1990. FNS is reviewing all materials related to the audit for final action.

69. Audit of Food Stamp Administrative Costs in Washington, issued September 30, 1988.

The audit recommended that FNS:

- recover funds from the SA resulting from costs charged to food stamp fraud funding;

- recover unallowable indirect costs charged and instruct the SA personnel to charge only eligible indirect costs; and
- recover funds for interest costs on the computer hardware lease contract.

An administrative appeal delayed final action. The appeal process is complete, and FNS is initiating final action.

70. Audit Report on the Government of Guam, issued January 26, 1988.

The audit recommended that FNS:

- collect excess reimbursements for unapproved building lease expenditures;
- collect excess reimbursements due to Guam's use of a 38.22 percent indirect cost rate; and
- collect excess reimbursements for undocumented management service costs claimed by Guam.

An administrative appeal delayed final action. The appeal process is complete, and FNS is initiating final action.

71. Audit of South Carolina Department of Mental Retardation, Columbia, South Carolina, for the Fiscal Years Ended, June 30, 1986, and June 30, 1987, issued May 24, 1989.

The audit recommended that FNS require that the SA maintain records to support costs claimed under the NSLP. The SA implemented its Corrective Action Plan, and final action is complete.

72. Department of Social and Health Services, State of Washington, issued July 28, 1988.*

The audit recommended that FNS correct its Cost Allocation Plan (CAP). This is an organization-wide audit conducted under the Single Audit Act of 1984 and OMB Circular A-128. The Department of Housing and Urban Development's OIG is responsible for followup. The DHHS-OIG requested the DHHS Division of Cost Allocation (DCA) followup on the CAP. Final action is pending DCA's determination.

73. **Nebraska Department of Health, Lincoln, Nebraska, issued October 28, 1988.***

The audit recommended that FNS require that the SA perform financial monitoring and require an audit of the Viking Computing, Inc., service center. The audit by an independent contractor delayed final action. The SA prepared a Request for Proposal (RFP) for an audit of Viking Computing, Inc., in February 1989. OIG reviewed the draft RFP and included comments in the final RFP. The SA subsequently selected PDA, Inc., to replace Viking Computing, Inc., for computer services.

74. **Department of Education, State of Alaska, issued January 25, 1989.***

The audit recommended that FNS instruct the SA to maintain positive time and effort records. This is an organization-wide audit conducted under the Single Audit Act of 1984 and OMB Circular A-128. The Department of Education's OIG is responsible for coordination of this audit. FNS collected \$60,592, and the SA submitted a Corrective Action Plan. All actions are complete, and FNS is preparing a recommendation for final action.

75. **Audit Report on the Government of Guam for the Fiscal Year Ended September 30, 1986, issued April 18, 1989.**

The audit revealed:

- late submissions of the Food Coupon Accountability Reports;
- non-compliance with FNS' Report of School Program Operations;
- inadequate retention of applications; and
- lack of data on the total number of applications approved for free and reduced price meals.

FNS is reviewing the SA's Corrective Action Plan for final action.

76. **FGIS Grain Inspection Processes and Procedures, issued August 30, 1988.***

The audit recommended that FGIS develop and implement a method to measure more accurately moisture in corn, preferably one that employs the use of ground rather than whole kernel corn. The time required to research the methods available and obtain a data base sufficient to calibrate electronic instruments delayed final action. The research for air oven calibration is complete, and FGIS is reviewing the recommendations. If accepted, Federal Register notification and a comment period are required. An additional 3 years may be needed to obtain a data base sufficient to calibrate electronic instruments.

77. South Dakota Department of Agriculture (SDDA), issued November 9, 1987.*

The audit recommended that APHIS require revised financial reports for FY's 1985 and 1986 which substantiate actual expenditures charged to the agreements. APHIS billed the State for the disallowed costs, and the State questioned the amounts. APHIS plans to waive repayment of the disputed costs.

78. Missouri Department of Agriculture, issued July 28, 1988.*

The audit recommended that APHIS:

- ensure that Federal financial reports are accurate and timely;
- ensure the SA establishes procedures to document and monitor matching costs; and
- ensure requirements and procedures are in place to obtain written extensions prior to expending Federal funds after a grant period ends.

APHIS plans to waive repayment of the disputed costs after seeking OGC concurrence.

79. Kansas Animal Health Department (KAHD), issued October 8, 1987.*

The audit recommended that APHIS:

- ensure that KAHD reported actual program costs; and
- determine whether the agreement allows carryover of unspent Federal monies from 1 fiscal year to the next and, if not, whether APHIS billed KAHD for the full amount of the questioned costs.

The SA did not maintain adequate documentation to support expenditures charged to the program. APHIS billed the SA for reimbursement of disallowed costs, and the SA questioned the amounts. APHIS plans to waive payment of the disputed amounts.

80. PCIE Computer Systems Integrity Project, National Computer Center at Kansas City, issued September 30, 1988.*

The audit recommended that OIRM:

- modify the Departmental ADP Security Manual, Appendix D;
- develop and implement procedures for the installation and maintenance of system software; and

- discontinue the use of the shared files identified in the audit.

OIRM expects to complete the revision to Appendix D by January 1991. OIRM plans to implement procedures for installation and maintenance of system software in December 1990.

81. Procurement and Technical Approval of ADP Equipment and Software in USDA, issued April 1, 1987.*

The audit recommended that OIRM:

- obtain written certifications that USDA agencies completed the actions detailed in their Technical Approvals and Delegations of Procurement Authorities;
- consider issuing policy to impose penalties such as technical approval suspensions;
- determine the feasibility of requiring agencies to submit cost-benefit analysis data in a specific format;
- notify agencies that they should contact OIRM for assistance in completing a cost-benefit analysis; and
- finalize the automated tracking system for monitoring conditional approvals of ADP equipment/systems and requests for approval.

The USDA Strategic IRM Plan proposed revisions to Departmental Regulation (DR) 3130-1 to tie IRM acquisition technical approvals more closely with IRM long-range planning and the budget process. The revised DR 3130-1 is in the clearance process.

82. Automated Data Processing Maintenance Agreements Within the Department of Agriculture, issued March 23, 1987.*

The audit recommended that OIRM:

- develop guidance on proper maintenance of ADP equipment, repair cost information, equipment downtime, and costs;
- determine the need for a budget object classification for ADP maintenance; and
- require all USDA agencies to use the OFM National Finance Center's (Center) inventory system for tracking ADP equipment.

OIRM experienced delays in developing policies and procedures for a separate DR on maintenance of ADP equipment. Recent advances in IRM technologies required a reassessment of maintenance procedures that would be cost beneficial to implement within USDA. OIRM published DR 3230-1, "ADP Equipment

Maintenance," in August 1990. OIRM is waiting for GSA's evaluation of needs for the Federal ADP Equipment Inventory System prior to recommending modifications to the Center's Property Management Information System. GSA is delaying the evaluation pending reauthorization of the Paperwork Reduction Act.

APPENDIX A

**AGENCY STATISTICAL TABLES SHOWING FINAL ACTION
TAKEN ON OIG AUDITS WITH MONETARY FINDINGS**

Agricultural Stabilization and Conservation Service
**Final Action on OIG Audits With Disallowed
Costs and With Recommendations To Put Funds To Better Use
For the 6-Month Period Ending September 30, 1990**

	<u>Disallowed Costs</u>		<u>Funds To Be Put To Better Use</u>	
	Number of OIG Audit Reports	Amount	Number of OIG Audit Reports	Amount
A. Management decisions with no final action at the beginning of the period	38	\$21,676,683	18	\$1,007,176,355
B. Management decisions made during the period	13	1,915,281	3	1,482,265
C. Final action taken during the period	10	1,289,107	5	4,408,901
1. Recoveries				
(a) Collections		51,067		
(b) Other		299,328		
2. Writeoffs		938,712		
3. Total (1 + 2)		1,289,107		
4. Recommendations completed				4,408,901
5. Recommendations not implemented or completed				0
6. Total (4 + 5)				4,408,901
D. Reports needing final action at the end of the period	41	\$22,302,857	16	\$1,004,249,719

Foreign Agricultural Service
Final Action on OIG Audits With
Recommendations To Put Funds To Better Use
For the 6-Month Period Ending September 30, 1990

Funds To Be Put To Better Use

	Number of OIG Audit Reports	Amount
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A. Management decisions with no final action at the beginning of the period	2	\$180,163,142
B. Management decisions made during the period	0	
C. Final action taken during the period	0	
D. Reports needing final action at the end of the period	2	\$180,163,142

Farmers Home Administration
Final Action on OIG Audits With Disallowed
Costs and With Recommendations To Put Funds To Better Use
For the 6-Month Period Ending September 30, 1990

	<u>Disallowed Costs</u>		<u>Funds To Be Put To Better Use</u>	
	Number of OIG Audit Reports	Amount	Number of OIG Audit Reports	Amount
A. Management decisions with no final action at the beginning of the period	17	\$22,868,490	12	\$559,956,315
B. Management decisions made during the period	4	194,890	3	69,656,679
C. Final action taken during the period	4	473,877	2	6,100,300
1. Recoveries				
(a) Collections		353,872		
(b) Other		120,005		
2. Total		473,877		
3. Recommendations completed				6,100,300
4. Recommendations not implemented or completed				0
5. Total (3 + 4)				6,100,300
D. Reports needing final action at the end of the period	17	\$22,589,503	13	\$623,512,694

Federal Crop Insurance Corporation
Final Action on OIG Audits With Disallowed
Costs and With Recommendations To Put Funds To Better Use
For the 6-Month Period Ending September 30, 1990

	<u>Disallowed Costs</u>		<u>Funds To Be Put To Better Use</u>	
	Number of OIG Audit Reports	Amount	Number of OIG Audit Reports	Amount
A. Management decisions with no final action at the beginning of the period	33	\$6,102,587	3	\$12,925,420
B. Management decisions made during the period	39	1,467,520	2	930,048
C. Final action taken during the period	13	92,572	0	
1. Recoveries				
(a) Collections		89,856		
(b) Other		2,716		
2. Total		92,572		
D. Reports needing final action at the end of the period	59	\$7,477,535	5	\$13,855,468

Rural Electrification Administration
Final Action on OIG Audits With
Recommendations To Put Funds To Better Use
For the 6-Month Period Ending September 30, 1990

<u>Funds To Be Put To Better Use</u>		
	Number of OIG Audit Reports	Amount
A. Management decisions with no final action at the beginning of the period	1	\$1,500,000*
B. Management decisions made during the period	0	
C. Final action taken during the period	0	
D. Reports needing final action at the end of the period	1	\$1,500,000*

*REA disagrees with this amount.

Food and Nutrition Service
Final Action on OIG Audits With Disallowed
Costs and With Recommendations To Put Funds To Better Use
For the 6-Month Period Ending September 30, 1990

	<u>Disallowed Costs</u>		<u>Funds To Be Put To Better Use</u>	
	Number of OIG Audit Reports	Amount	Number of OIG Audit Reports	Amount
A. Management decisions with no final action at the beginning of the period	69	\$13,773,035	14	\$214,697,485
B. Management decisions made during the period	77	4,529,359	3	1,168,672
C. Final action taken during the period	64	4,022,288	4	2,354,480
1. Recoveries				
(a) Collections		3,519,818		
(b) Other		486,455		
2. Writeoffs		16,015		
3. Total (1 + 2)		4,022,288		
4. Recommendations completed				2,354,480
5. Recommendations not implemented or completed				0
6. Total (4 + 5)				2,354,480
D. Reports needing final action at the end of the period	82	\$14,280,106	13	\$213,511,677

**Agricultural Marketing Service
Final Action on OIG Audits With Disallowed Costs
For the 6-Month Period Ending September 30, 1990**

	<u>Disallowed Costs</u>	
	Number of OIG Audit Reports	Amount
A. Management decisions with no final action at the beginning of the period	2	\$472,294
B. Management decisions made during the period	0	
C. Final action taken during the period	0	
D. Reports needing final action at the end of the period	2	\$472,294

Animal and Plant Health Inspection Service
 Final Action on OIG Audits With Disallowed
 Costs and With Recommendations To Put Funds To Better Use
 For the 6-Month Period Ending September 30, 1990

	<u>Disallowed Costs</u>		<u>Funds To Be Put To Better Use</u>	
	Number of OIG Audit Reports	Amount	Number of OIG Audit Reports	Amount
A. Management decisions with no final action at the beginning of the period	4	\$497,168	4	\$18,337,339
B. Management decisions made during the period	2	0	1	102,033
C. Final action taken during the period	2	4,713	0	
1. Writeoffs		4,713		
2. Total		4,713		
D. Reports needing final action at the end of the period	4	\$492,455	5	\$18,439,372

Food Safety and Inspection Service
Final Action on OIG Audits With Disallowed Costs
For the 6-Month Period Ending September 30, 1990

	Number of OIG Audit Reports	<u>Disallowed Costs</u> Amount
A. Management decisions with no final action at the beginning of the period	3	\$2,567,681
B. Management decisions made during the period	5	8,187
C. Final action taken during the period	3	48,315
1. Recoveries		
Collections		42,854
2. Writeoffs		5,461
3. Total (1 + 2)		
D. Reports needing final action at the end of the period	5	\$2,527,553

Office of Information Resources Management
Final Action on OIG Audits With
Recommendations To Put Funds To Better Use
For the 6-Month Period Ending September 30, 1990

Funds To Be Put To Better Use

	Number of OIG Audit Reports	Amount
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A. Management decisions with no final action at the beginning of the period	0	
B. Management decisions made during the period	1	\$442,572
C. Final action taken during the period	0	
D. Reports needing final action at the end of the period	1	\$442,572

Forest Service
Final Action on OIG Audits With Disallowed
Costs and With Recommendations To Put Funds To Better Use
For the 6-Month Period Ending September 30, 1990

	<u>Disallowed Costs</u>		<u>Funds To Be Put To Better Use</u>	
	Number of OIG Audit Reports	Amount	Number of OIG Audit Reports	Amount
A. Management decisions with no final action at the beginning of the period	4	\$101,125	7	\$2,843,280
B. Management decisions made during the period	3	150,866	1	121,319
C. Final action taken during the period	3	8,249	0	
1. Recoveries				
(a) Collections		8,185		
(b) Writeoffs		64		
2. Total		8,249		
D. Reports needing final action at the end of the period	4	\$243,742	8	\$2,964,599

Soil Conservation Service
**Final Action on OIG Audits With Disallowed
Costs and With Recommendations To Put Funds To Better Use
For the 6-Month Period Ending September 30, 1990**

	<u>Disallowed Costs</u>		<u>Funds To Be Put To Better Use</u>	
	Number of OIG Audit Reports	Amount	Number of OIG Audit Reports	Amount
A. Management decisions with no final action at the beginning of the period	2	\$1,322,982	6	\$2,054,201
B. Management decisions made during the period	1	1,033	3	585,327
C. Final action taken during the period	2	200,991*	2	206,980
1. Recoveries				
(a) Collections		1,033		
(b) Other		151,708		
Total		152,741		
2. Recommendations completed				206,980
3. Recommendations not implemented or completed				0
4. Total (2 + 3)				\$206,980
D. Reports needing final action at the end of the period	1	\$1,123,024	7	\$2,432,548

*This amount was reduced by \$48,250 based on a contracting officer's decision.

Agricultural Research Service
Final Action on OIG Audits With
Recommendations To Put Funds To Better Use
For the 6-Month Period Ending September 30, 1990

	<u>Funds To Be Put To Better Use</u>	
	Number of OIG Audit Reports	Amount
A. Management decisions with no final action at the beginning of the period	2	\$49,570
B. Management decisions made during the period	0	
C. Final action taken during the period	2	49,570
1. Recommendations completed		49,570
2. Recommendations not implemented or completed		0
3. Total (1 + 2)		\$49,570
D. Reports needing final action at the end of the period	0	

Cooperative State Research Service
Final Action on OIG Audits With Disallowed Costs
For the 6-Month Period Ending September 30, 1990

	<u>Disallowed Costs</u>	
	Number of OIG Audit Reports	Amount
A. Management decisions with no final action at the beginning of the period	2	\$1,225,617
B. Management decisions made during the period	2	502,871
C. Final action taken during the period	0	
D. Reports needing final action at the end of the period	4	\$1,728,488

Extension Service
Final Action on OIG Audits With Disallowed Costs
For the 6-Month Period Ending September 30, 1990

	<u>Disallowed Costs</u>	
	Number of OIG Audit Reports	Amount
A. Management decisions with no final action at the beginning of the period	0	
B. Management decisions made during the period	1	\$81
C. Final action taken during the period	1	81
1. Recoveries		
(a) Collections		0
(b) Other		81
2. Total		\$81
D. Reports needing final action at the end of the period	0	

USDA Welfare and Recreation Association
Final Action on OIG Audits With
Recommendations To Put Funds To Better Use
For the 6-Month Period Ending September 30, 1990

Funds To Be Put To Better Use

	Number of OIG Audit Reports	Amount
A. Management decisions with no final action at the beginning of the period	1	\$51,209
B. Management decisions made during the period	0	
C. Final action taken during the period	1	51,209
1. Recommendations completed		51,209
2. Recommendations not implemented or completed		0
3. Total (1 + 2)		\$51,209
D. Reports needing final action at the end of the period	0	

APPENDIX B

AGENCY OIG AUDITS UNDER APPEAL OR LEGISLATIVE SOLUTION

AGENCY OIG AUDITS UNDER APPEAL OR LEGISLATIVE SOLUTION

<u>Agency</u>	<u>Administrative Appeal</u>	<u>Judicial Appeal</u>	<u>Legislative Solution</u>
AMS	-	1	-
ASCS	7	1	-
FmHA	-	1	2
FCIC	3*	3*	-
FS	4	3	-
SCS	5	1	-
FNS	6	2	-
TOTAL	<u>25</u>	<u>12</u>	<u>2</u>
	<u>==</u>	<u>==</u>	<u>==</u>

*One audit is under both administrative and judicial appeal.

APPENDIX C
DEFINITIONS

DEFINITIONS

Questioned Cost. A cost OIG questions because of:

- an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds;
- a finding that, at the time of the audit, the cost is not supported by adequate documentation; or
- a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Disallowed Cost. A questioned cost that management sustains or agrees is not chargeable to the government.

Funds To Be Put To Better Use. A recommendation by OIG that funds could be used more efficiently if management took actions to implement and complete the recommendation, including:

- reductions in outlays;
- deobligation of funds from programs or operations;
- withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds;
- costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor or grantee;
- avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or
- any other savings which are specifically identified;

Management Decision. Management's evaluation of the audit findings and recommendations and the issuance of a final decision by management concerning its response to the findings and recommendations, including necessary actions.

Final Action. Final action means:

- the completion of all actions that management has concluded are necessary in its management decision with respect to the findings and recommendations included in an audit report; and
- in the event that management concludes no action is necessary, final action occurs when a management decision is made.

